

Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

INTERNATIONAL DEVELOPMENT ASSOCIATION



HEARINGS
BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
EIGHTY-SIXTH CONGRESS
SECOND SESSION
ON
S. 3074

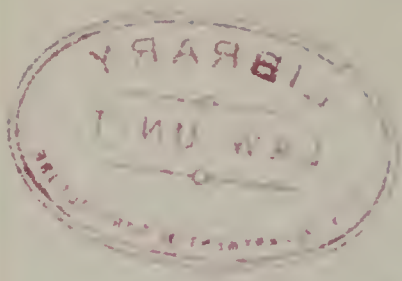
TO PROVIDE FOR THE PARTICIPATION OF THE
UNITED STATES IN THE INTERNATIONAL
DEVELOPMENT ASSOCIATION

MARCH 18 AND 21, 1960

Printed for the use of the Committee on Foreign Relations



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1960



COMMITTEE ON FOREIGN RELATIONS

J. W. FULBRIGHT, Arkansas, *Chairman*

THEODORE FRANCIS GREEN, ¹ Rhode Island	ALEXANDER WILEY, Wisconsin
JOHN SPARKMAN, Alabama	BOURKE B. HICKENLOOPER, Iowa
HUBERT H. HUMPHREY, Minnesota	GEORGE D. AIKEN, Vermont
MIKE MANSFIELD, Montana	HOMER E. CAPEHART, Indiana
WAYNE MORSE, Oregon	FRANK CARLSON, Kansas
RUSSELL B. LONG, Louisiana	JOHN J. WILLIAMS, Delaware
JOHN F. KENNEDY, Massachusetts	
ALBERT GORE, Tennessee	
FRANK J. LAUSCHE, Ohio	
FRANK CHURCH, Idaho	

CARL MARCY, *Chief of Staff*
DARRELL ST. CLAIRE, *Clerk*

¹ Chairman emeritus.

CONTENTS

	Page
Statement by—	
Anderson, Robert B., Secretary of the Treasury	9
Atwater, Alton, Friends Committee on National Legislation	100
Dillon, Douglas, Under Secretary of State	37
Hardwick, C. Cheever, U.S. Chamber of Commerce	87
Harris II, Herbert E., Assistant Legislative Director, American Farm Bureau Federation	107
McCloy, John J., Chairman, Chase Manhattan Bank	49
Monroney, A. S. Mike, U.S. Senator from the State of Oklahoma	3
Seidman, Bert, Research Department, AFL-CIO	90
Upton, T. Graydon, Assistant Secretary of the Treasury	9, 67
Statement submitted for the record—	
Homer Brinkley, executive vice president, National Council of Farmer Cooperatives	114
Mrs. Annalee Stewart, legislative secretary, Women's International League for Peace and Freedom	115
Alvin Shapiro, American Merchant Marine Institute, Inc.	116
Herschel D. Newsom, master, National Grange	117
Kenneth L. Maxwell, Department of International Affairs, National Council of the Churches of Christ in the U.S.A.	119
Esther W. Hymer, United Church Women, National Council of the Churches of Christ in the U.S.A.	120
Robert A. Fangmeier, the United Christian Missionary Society	121
Information inserted in the record—	
S. 3074	1
S. Res. 264, 86th Congress	3
International Development Association: U.S. subscription payments (table)	7
Export market value of exports of U.S. farm products under Public Law 480 for period fiscal year 1955 through fiscal year 1959	42
Statement on U.S. intentions regarding the transfer to IDA of Public Law 480 currencies	43
Statement on identity of directors in IDA and IBRD	68
Statement on theoretical result from 65 percent membership in IDA with minimum part I participation	77
Statement on U.S. voting power in IDA compared with that in IBRD ..	79
Statement on the status of indebtedness to the United States of cer- tain part I countries	85

INTERNATIONAL DEVELOPMENT ASSOCIATION

FRIDAY, MARCH 18, 1960

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to call, at 10:35 a.m., in the Foreign Relations Committee room, room 4221, New Senate Office Building, Senator J. W. Fulbright (chairman) presiding.

Present: Senators Fulbright (chairman), Green, Sparkman, Lausche, Church, Aiken, Carlson, Williams.

CHAIRMAN'S OPENING STATEMENT

The CHAIRMAN. The committee will come to order.

The hearing this morning is on S. 3074, which I introduced on February 19, 1960, and which provided for the participation of the United States in the International Development Association.

(S. 3074 is as follows:)

[S. 3074, 86th Cong., 2d sess.]

A BILL To provide for the participation of the United States in the International Development Association

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "International Development Association Act".

ACCEPTANCE OF MEMBERSHIP

SEC. 2. The President is hereby authorized to accept membership for the United States in the International Development Association (hereinafter referred to as the "Association"), provided for by the articles of agreement (hereinafter referred to as the "articles") of the Association deposited in the archives of the International Bank of Reconstruction and Development.

GOVERNOR, EXECUTIVE DIRECTOR, AND ALTERNATES

SEC. 3. The Governor and Executive Director of the International Bank for Reconstruction and Development, and the alternate for each of them, appointed under section 3 of the Bretton Woods Agreements Act, as amended (22 U.S.C. 286a), shall serve as Governor, Executive Director, and alternates, respectively, of the Association.

NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

SEC. 4. The provisions of section 4 of the Bretton Woods Agreements Act, as amended (22 U.S.C. 286b), shall apply with respect to the Association to the same extent as with respect to the International Bank for Reconstruction

and Development and the International Monetary Fund. Reports with respect to the Association under paragraphs (5) and (6) of subsection (b) of section 4 of said Act, as amended, shall be included in the first report made thereunder after the establishment of the Association and in each succeeding report.

CERTAIN ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

SEC. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States, (a) subscribe to additional funds under article III, section 1, of the articles; (b) accept any amendment under article IX of the articles; or (c) make a loan or provide other financing to the Association, except that loans or other financing may be provided to the Association by a United States agency created pursuant to an Act of Congress which is authorized by law to make loans or provide other financing to international organizations.

DEPOSITORIES

SEC. 6. Any Federal Reserve bank which is requested to do so by the Association shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

PAYMENT OF SUBSCRIPTIONS

SEC. 7. (a) There is hereby authorized to be appropriated, without fiscal year limitation for the subscription of the United States to the Association, \$320,290,000.

(b) For the purpose of keeping to a minimum the cost to the United States of participation in the Association, the Secretary of the Treasury, after paying the requisite part of the subscription of the United States in the Association required to be made under the articles, is authorized and directed to issue special notes of the United States from time to time, at par, and to deliver such notes to the Association in exchange for dollars to the extent permitted by the articles. The special notes provided for in this subsection shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the purposes for which special notes are authorized and directed to be issued under this subsection, but such notes shall bear no interest, shall be nonnegotiable, and shall be payable on demand of the Association. The face amount of special notes issued to the Association under the authority of this subsection and outstanding at any one time shall not exceed, in the aggregate, the amount of the subscription of the United States actually paid to the Association under the articles.

(c) Any payment made to the United States by the Association as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

JURISDICTION AND VENUE OF ACTIONS

SEC. 8. For the purpose of any action which may be brought within the United States, its possessions, or the Commonwealth of Puerto Rico, by or against the Association in accordance with the articles, the Association shall be deemed to be an inhabitant of the Federal judicial district in which its principal office in the United States is located, and any such action at law or in equity to which the Association shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of any such action. When the Association is a defendant in any such action, it may, at any time before the trial thereof, remove such action from a State court into the district court of the United States for the proper district by following the procedure for removal of causes otherwise provided by law.

STATUS, IMMUNITIES, AND PRIVILEGES

SEC. 9. The provisions of article VII, section 5(d), and article VIII, section 2 to 9, both inclusive, of the articles shall have full force and effect in the United States, its possessions, and the Commonwealth of Puerto Rico, upon acceptance of membership by the United States in, and the establishment of, the Association.

The CHAIRMAN. The bill was submitted to the Congress by the President on February 18, 1960. The message from the President and the special report of the National Advisory Council on International Monetary and Financial Problems, together with the articles of agreement of the International Development Association, are printed in House Document 345, copies of which are before members of this committee.

Much of the credit for the legislation before us for consideration belongs to the junior Senator from Oklahoma, Mr. Monroney, whose name is attached to the resolution which stimulated the discussion that culminated in the International Development Association.

I may say that originally this subject was considered in the Banking and Currency Committee. It is therefore with particular pleasure that I welcome the Senator as our first witness this morning. He will be followed by Assistant Secretary of the Treasury Upton, and the Under Secretary of State, Mr. Dillon.

On Monday, March 21, the remaining witnesses will be heard.

Before the first witness starts, I will ask that the text of Senate Resolution 264 be printed in the record at this point.

(S. Res. 264 is as follows:)

[S. Res. 264,¹ 85th Cong.]

Resolved, That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

(1) Providing a source of long-term loans available at a reasonable rate of interest and repayable in local currencies, or partly in local currencies, to supplement International Bank lending activities and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

(2) Facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

(3) Insuring that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

Senator Monroney, we are very pleased to have you, since you are the father of this legislation. I hope it has a very long and lusty life. You may proceed.

STATEMENT OF HON. A. S. MIKE MONRONEY, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator MONRONEY. Thank you, Mr. Chairman and members of the committee, I sincerely appreciate your invitation to appear as the first witness on the bill to authorize the President to accept membership for the United States in the International Development Association.

I also wish to thank you for the promptness with which you have moved to take up the consideration of this authorizing legislation. I most strongly recommend that the committee favorably report the bill.

¹ Monroney resolution.

STUDY OF THE NATIONAL ADVISORY COUNCIL

As the members of the committee, and particularly its distinguished chairman, are well aware, the International Development Association is the result of a study by the National Advisory Council on International Monetary and Financial Problems, undertaken in response to Senate Resolution 264 of the 85th Congress, which was introduced by me on February 24, 1958.

Under the practice then current in the Senate, the resolution was referred to the Committee on Banking and Currency, and hearings were held in March of 1958 by the Subcommittee on International Finance, of which I was then chairman. The resolution was amended and then favorably reported to the Senate by the full Committee on Banking and Currency on July 12, 1958.

FAVORABLE VOTE BY SENATE ON S. RES. 264

The extent to which members of this committee were consulted in preparing the resolution to be reported and their attitude toward the proposal is best indicated by the fact that when reported to the Senate floor, the distinguished chairman, now chairman of the Foreign Relations Committee, and five members of this committee were listed as cosponsors. The resolution was extensively discussed on the Senate floor and adopted on July 23, 1958, by a vote of 62 to 25.

OBJECTIVES OF THE IDA

The resolution recognized the desirability of promoting a greater degree of international development by means of multilateral loans. It called on the National Advisory Council to study the feasibility of an International Development Association as an affiliate of the International Bank for Reconstruction and Development, keeping in mind the following objectives:

- (1) Providing a source of long-term loans repayable wholly or partly in local currencies to supplement the World Bank's lending activities and permit consideration of projects which might not otherwise be financed;

- (2) Facilitating the use of local currencies, including those foreign currencies available to the United States through the sale of agricultural surpluses; and

- (3) Most importantly, insuring that the funds for economic development be made available through a process which would encourage multilateral contributions to this effort.

DEVELOPMENT OF THE IDEA BY SECRETARY ANDERSON AND UNDER SECRETARY OF STATE DILLON

It is perhaps IDA's best recommendation that Secretary Anderson and Under Secretary of State Dillon, the two men who have been largely responsible for the development of the proposal before you today, expressed in their initial comments to the Committee on Banking and Currency considerable skepticism as to its feasibility. That they now appear as its advocates is evidence both of the soundness of the proposal and of their own objectivity in analyzing it.

Let me say further, there would not have been an IDA had it not been for the efforts made by Secretary Anderson and Under Secretary of State Dillon. Well before consideration of IDA by the World Bank, they undertook to stimulate support among both the nations that will supply the capital and those who perhaps will be applying for loans under its provisions.

Both of these men spent many months traveling overseas to other international meetings, such as that of the International Monetary Fund, and took time out to go around to talk to the finance ministers of various other countries and get their views.

ARTICLES OF AGREEMENT

It is not my intention to deal in any detail with the provisions of the articles of agreement, which the bill before you would authorize our Government to accept, because you will hear other witnesses better qualified to perform this service. I have studied these articles of agreement and have followed as best I could the consultations with other governments which led to their submission by the executive directors of the International Bank. I regard the articles as an impressive accomplishment.

There are provisions of the articles of agreement which are different from those I would have preferred. I believe that the same thing could be said by Secretary Anderson and Under Secretary Dillon, and also by the representatives of every other sovereign nation who participated in their drafting.

The articles are necessarily the result of compromise and consultation between nations with differing points of view on specific questions of organization and operation. I believe, however, that the committee will conclude after these hearings that these compromises sacrificed none of the basic objectives suggested by the Senate in Resolution 264.

PROMPT ACTION URGED

I would respectfully suggest to this committee that the initiative in this matter originally having come from the Senate, and the United States having proposed the Association to the other members of the Bretton Woods institutions, it is extremely important that the Senate and the Congress not only act favorably but act promptly if this useful institution is to become a reality.

PURPOSE OF THE IDA

The International Development Association was proposed in the conviction that the economic growth of less-developed nations is not the sole responsibility of the United States, but the mutual responsibility of all free nations to the extent of their capability to contribute to that development; that such mutuality of effort, such sharing of a common burden, can only be achieved through an international financial institution; that existing institutions are not sufficiently flexible to meet the world's pressing needs. It was conceived in a spirit of optimism and responsible generosity.

Joined in this conviction, administered in this spirit, I sincerely believe that it will contribute to a world in which man is at peace with his neighbor and his conscience.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Monroney. Do you feel that the size of this organization's resources as proposed in this legislation is adequate?

MEASURES FOR ADDING TO INITIAL CAPITAL OUTLAY

Senator MONRONEY. As the distinguished chairman and members of the committee know, I had hoped that the capital in hard currency would be somewhere in the neighborhood of \$2 billion instead of the \$1 billion that is provided in the charter. However, I believe that you would have had no international agreement if it had been required that \$2 billion be put up by the nearly 70 member nations of the World Bank.

This difficulty of lack of initial capital, I believe, is compensated for by the provision in the charter which will allow the more prosperous nations to contribute in excess of their required quotas, which are in the same percentage as their quota membership in the World Bank. These nations, who are richer now than they were when the World Bank was formed, can purchase debentures or can make capital injections for specific purposes and for specific loans from their additional funds which they can choose to deposit with the World Bank.

VOTING RIGHTS NOT INCREASED BY ADDITIONAL CAPITAL INVESTMENT

We have an excellent situation, I think, in that the voting rights are not going to be dominated by the United States because we have doubled or trebled our capital investment in IDA. It still will retain its international complexion where nearly 70 members of the World Bank have the same voting rights (in the subsidiary IDA) that they traditionally have had in the World Bank. The richer nations can add additional capital as it is found to be needed without increasing their voting rights.

Obviously, it is not all going to be needed the first year or the first year and a half.

The CHAIRMAN. You note, of course, that this money must be raised by appropriations rather than by borrowing?

Senator MONRONEY. Yes.

The CHAIRMAN. You feel optimistic about obtaining these authorized appropriations from the Congress?

INTERNATIONAL RATHER THAN BILATERAL LENDING

Senator MONRONEY. I would feel that if we look at the long pull of the continuing requirement for development aid, this will offer a great opportunity for a businesslike handling of true international lending rather than the huge grants-in-aid or even a larger amount of bilateral lending necessary if the United States had to go it alone. In other words, in this project we have the help of 67 parties, each contributing what it can.

It marks a departure since it provides a mechanism which can perhaps grow to supplant the huge load that Uncle Sam has had to carry almost alone since the end of World War II. It can help to spread that load to the other nations who are members of the World Bank.

These members can provide some of the capital and take some of the responsibility for the necessary development in these underdeveloped areas.

The CHAIRMAN. Senator Green, do you have questions?

Senator GREEN. No; I have no questions. I am sorry to have been late and I have not heard all of the testimony.

The CHAIRMAN. Senator Aiken.

Senator AIKEN. No.

The CHAIRMAN. Senator Sparkman.

SPACING CAPITAL INVESTMENT

Senator SPARKMAN. Probably this question should be put to one of the later witnesses, but I notice section 7 says, "There is hereby authorized to be appropriated without fiscal year limitations for the subscription of the United States to the association, \$320,290,000."

I wonder over how long a time that appropriation is contemplated? In other words, is it anticipated that all of that will be made the first year by the United States? Will that be a downpayment?

Senator MONRONEY. No; it is divided. The United States pays a certain amount in the first year. It is carried in the report. The initial U.S. subscription payment in 1961 will total \$73,666,700.

Senator SPARKMAN. I see that now.

Senator MONRONEY. The figure you gave is the total through 1965.

Senator SPARKMAN. Yes; I had not seen the breakdown in the report. It is given on page 7 of the report.

Senator MONRONEY. Yes; and this will allow us to space our capital investment in the stock and the capital of the International Development Association.

Senator SPARKMAN. Mr. Chairman, I would like to suggest that the table given on page 7 be printed as part of the hearings, because I think it is clarifying.

The CHAIRMAN. All right. The reporter will do that.

(The table referred to follows:)

TABLE.—*International Development Association: U.S. subscription payments*

[In U.S. dollars]

Installments and fiscal years	10 percent portion (1)	90 percent portion (2)	Total (3)
I—1961.....	¹ \$16,014,500	³ \$57,652,200	⁵ \$73,666,700
II—1962.....	² 4,003,625	⁴ 57,652,200	⁶ 61,655,825
III—1963.....	² 4,003,625	⁴ 57,652,200	⁶ 61,655,825
IV—1964.....	² 4,003,625	⁴ 57,652,200	⁶ 61,655,825
V—1965.....	² 4,003,625	⁴ 57,652,200	⁶ 61,655,825
Total.....	32,029,000	288,261,000	320,290,000

¹ 50 percent of 10 percent portion (5 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later.

² 12½ percent of 10 percent portion (1½ percent of total subscription) payable 1 year after beginning of operations of Association, and at annual intervals thereafter until 10 percent portion fully paid.

³ 20 percent of 90 percent portion (18 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later.

⁴ 20 percent of 90 percent portion (18 percent of total subscription) payable 1 year after beginning of operations of Association, and at annual intervals thereafter until 90 percent portion fully paid.

⁵ 23 percent of total subscription (5 percent plus 18 percent).

⁶ 19¼ percent of total subscription (1¼ percent plus 18 percent).

Senator SPARKMAN. That is all I have.

The CHAIRMAN. Senator Carlson.

Senator CARLSON. No questions.

The CHAIRMAN. Senator Lausche.

Senator LAUSCHE. No questions.

The CHAIRMAN. Senator Church.

Senator CHURCH. Mr. Chairman, I just want to make a comment that I think Senator Monroney has put us all on the spot. When we are called upon to do this or to do that in the Senate, how often we seek refuge in the assertion that we are just one of a hundred and it is exceedingly difficult for one man to accomplish what he is called upon to do. I think that the Senator from Oklahoma has demonstrated how much one man can accomplish. I think that it is a great tribute to him and it is also a highly gratifying thing when a Member of the Senate can take this kind of action, followed by a resolution of the Senate which provides the stimulus, and then to see the executive branch come forward in the kind of constructive and cooperative way that has occurred in this instance.

Certainly both Secretary Dillon and Secretary Anderson deserve much credit in this regard, but here is a demonstration of how this Government can move forward in a very critical field, and I want to commend the Senator from Oklahoma for the leadership role that he has played in this very important matter.

Senator MONRONEY. I thank my colleague for those compliments, but there were many, many men in the Senate in both parties working to achieve this. Some delicate situations would have been unconquerable had it not been for members of the Banking and Currency Committee, on the majority and minority side of the aisle. The distinguished chairman and the Senator from Idaho helped us get this thing wrapped up and focused. One should not expect any unusual recognition. It was a group of many, many people working to achieve this end. I thank the Senator, however, for his kind words.

The CHAIRMAN. Any further questions?

I thank the Senator from Oklahoma.

Senator MONRONEY. I thank the chairman.

The CHAIRMAN. I might comment in that last respect that the DLF also had its origin largely in the Congress.

Senator CHURCH. That is so, Mr. Chairman.

The CHAIRMAN. We hope sometime the executive branch will show some initiative.

Senator MONRONEY. Yes, sir.

The CHAIRMAN. Mr. Upton. Mr. Upton is to present to the committee a statement of the Secretary of the Treasury, Mr. Anderson. Mr. Anderson had a previous engagement and could not come, but Mr. Upton is speaking for him and delivering to the committee a statement for the Secretary.

Is that not correct, Mr. Upton?

Mr. UPTON. Yes, sir.

The CHAIRMAN. You may proceed, Mr. Upton.

**STATEMENT OF HON. ROBERT B. ANDERSON, SECRETARY OF THE
TREASURY—PRESENTED BY T. GRAYDON UPTON, ASSISTANT
SECRETARY OF THE TREASURY**

Mr. UPTON. Mr. Chairman, it is a great pleasure to hear Senator Monroney. The proposal which is before you results from his original suggestion. The articles of IDA represent the final outcome of extensive discussions and negotiations with representatives of the 68 member countries of the International Bank during a period of approximately 2 years since the Senator brought forward his suggestion.

As you know, the IDA proposal was advanced greatly by Senate Resolution 264 of July 1958. The National Advisory Council undertook its study on the basis of this resolution and we believe that the proposal submitted to you carries out the intention of the Senate in passing this resolution.

Secretary Anderson regrets greatly he cannot be with you this morning. He has asked me to read his statement to the committee, and I shall be happy to answer any questions, and Secretary Anderson wishes to assure the committee that he will be available to answer additional questions from the committee at a later date.

I shall read Secretary Anderson's statement.

Mr. Chairman, the bill before you authorizes the President to accept membership for the United States in the proposed International Development Association. It would also give the necessary authorization, subject to later appropriation, of the funds necessary to pay the U.S. initial subscription. I wholeheartedly support enactment of this bill.

NEED FOR CAPITAL IN LESS DEVELOPED COUNTRIES

The Congress and the President have on many occasions expressed the great interest of the United States in the economic advance of the less-developed countries. In these countries there is a large and unsatisfied demand for the capital goods needed for the development of their resources and the effective utilization of their labor forces. These resources in the less-developed countries of Asia, Africa, and Latin America cannot now be utilized effectively for lack of the capital equipment and industrial skill which would enable them to produce more efficiently.

While economic progress in the less-developed countries must come in large part from their own efforts, they need outside assistance in financing their imports of capital goods. With increasing productivity they will be in a better position to utilize and mobilize their own resources. As President Eisenhower recently said in his state of the Union message, referring to the less-developed countries, "These people desperately hoping to lift themselves to decent levels of living must not, by our neglect, be forced to seek help from, and finally become virtual satellites of, those who proclaim their hostility to freedom." This means that the economically stronger countries of the free world must, individually and collectively, provide a share of the capital goods needed.

IDA A COMPLEMENT TO EXISTING LENDING SOURCES

The proposed International Development Association is intended to complement the development financing now provided by private investors and national and international agencies providing capital to the less-developed countries. It will not finance projects which can be undertaken by private investors on reasonable terms, or which should be financed by the International Bank or other conventional lending agencies under their usual terms.

RECORD OF THE EXPORT-IMPORT BANK AND THE INTERNATIONAL BANK

Our own Export-Import Bank has over the years loaned over \$10 billion, which has contributed enormously to economic advance abroad. The International Bank, maintained by its 68 member countries, has provided over \$4 billion in development loans. These two banks have represented a great advance in international financial relations. Their investments have not only paid off, in the sense that the borrowers have been able to meet interest and amortization, but in addition the banks have provided sound financing for some of the basic needs in terms of transportation, power, and communications. These investments have made possible as well the productive use of other equipment and the utilization of local resources. Their contribution to economic development is more than the record of dollars loaned and dollars repaid.

The terms of repayment and interest at which the Export-Import Bank and the International Bank can lend are determined in large part by the conditions under which the two banks obtain their funds for lending. The International Bank is now financed almost entirely by selling its securities in the financial markets of the United States and of the other industrialized countries. In making loans the rate of interest charged must cover the Bank's interest and administrative costs and provide reserves. The term of its loans must bear some fairly close relationship to the maturities at which the Bank itself borrows. Similarly, the Export-Import Bank, which secures its funds from the Treasury, must cover the cost of money to the Treasury as well as other costs, and also provide for reserves.

PRESENT INSTITUTIONS REQUIRE LOANS BE REPAYED IN HARD CURRENCY

To maintain their position as sound financial institutions, these Banks make their loans only when there is reasonable prospect that the loans can be serviced at the terms which they can offer. They make loans for sound projects in countries which can be expected to repay the loans in the currency loaned. The Export-Import Bank must be repaid in dollars, and the International Bank in dollars or other hard currency.

NEED FOR A NEW TYPE LOAN

The banks can meet the requirements of many projects, but they cannot in practice deal with some important cases. Some countries are today in a balance-of-payments position which gives little prospect that they could in the foreseeable future repay hard currency

loans. Many of the less-developed countries have needs for capital in excess of their capacity to repay on the terms at which the banks can lend. The International Development Association has been proposed as one means of dealing with some of these problems.

Undoubtedly, these factors were considered when the Senate, in July 1958, suggested that the National Advisory Council study the possibility of establishing an International Development Association, as an affiliate of the World Bank, to make loans for economic development which otherwise could not be made. The council undertook this study and has submitted several reports to the Congress on the matter.

INTERNATIONAL COOPERATION SOUGHT

The feasibility of an international agency of this sort depends in good part on the willingness of other countries to contribute to its resources. In accordance with the President's direction, we in the Treasury have held discussions with other countries which are in a position to make resources available, and we were so encouraged by their responses that the council, in the summer of 1959, suggested outlines of the project.

ARTICLES OF AGREEMENT

In the fall, the United States introduced a resolution, which was unanimously adopted by the Board of Governors of the International Bank, calling upon the Executive Directors of the Bank to formulate articles of agreement for an International Development Association for submission to the member governments. The Directors completed their work on January 26, and their proposal has been put before you in the annex to the "Special Report of the National Advisory Council."

BULK OF CURRENCY ASSETS TO BE PAID IN BY 17 MEMBER COUNTRIES

The International Development Association represents a forward-looking step in international cooperation within the free world. All the member countries of the International Bank are expected to contribute to its resources, but the bulk of its convertible currency assets is to be paid in by 17 member countries, which today are the more advanced economically.

IMPORTANCE OF CONTRIBUTIONS BY OTHER COUNTRIES

I should like to stress the importance of this contribution by other countries. The United States is scheduled to pay in \$320 million of the initial subscriptions, while the other more-developed countries are scheduled to provide \$443 million. These 16 countries have recovered from the effects of the war, they have expanded their trade, and they have acquired adequate, or more than adequate, monetary reserves. They are in a position today to help the less-developed countries. Hitherto, capital on flexible terms of repayment has been provided almost entirely by the United States through the Development Loan Fund. In the International Development Association, other countries will provide a larger share of the convertible currency resources than will the United States. These countries will

include most of the Western European countries as well as Canada, Japan, Australia, and South Africa, countries which are also in a favorable position to provide funds.

The International Development Association, it is hoped, will include all of the members of the International Bank. The countries which are most advanced economically—part I countries in schedule A of the articles—will make their payments entirely in gold or convertible currencies which IDA may use for purchases in any country.

CONTRIBUTIONS OF LESS-DEVELOPED COUNTRIES

The less-developed countries, on the other hand, will pay 10 percent of their subscription in convertible currencies and the balance in their national currencies. They will participate to this extent as contributors of resources as well as borrowers. IDA may thus have in a 5-year period at its disposal some \$785 million in freely convertible currencies from which it may make loans. The national currency contributed in its subscription by a less-developed country will be usable to defray local currency costs on projects in that country and may be used for exports for IDA-financed projects in other countries only with its consent. This provision appears reasonable. The less-developed countries, which are expected to receive loans from IDA, are not generally in a position to provide net resources for use in other countries. There will be, however, some occasions in which they can supply goods needed at reasonable cost, and in these instances their national currency subscriptions can be used elsewhere on IDA projects by agreement.

FLEXIBILITY ALLOWED IN SETTING TERMS AND CONDITIONS OF LOANS

The articles of agreement allow the Executive Directors a great deal of flexibility in setting the terms and conditions of the loans. The IDA will be empowered to make loans wholly or partly repayable in the borrower's own currency. It will also be empowered to make loans repayable in hard currencies, but with longer maturities than are possible for International Bank loans in view of the Bank's own financing conditions. Loans may be made at rates of interest which will be below the rate on Bank loans. In short, it must be understood that the IDA is to make loans which will bear less heavily on the balances of payments of the borrowing countries than loans of the type now made by the International Bank or the Export-Import Bank. This indeed is the purpose of an IDA. The IDA articles specify that it will not provide financing when it is available from private sources on reasonable terms for the recipient or could be provided by a loan of the type made by the Bank.

THE EFFECT ON BALANCE OF PAYMENTS

The effect on the balances of payments of the borrowing countries will vary somewhat, depending upon the policy which the IDA evolves within the flexibility as to terms of loans that is provided by the articles. Long schedules of amortization or lower interest rates enable countries to pay off hard-currency loans at a lower annual cost. When the repayment is made in local currencies, there is, of course, no burden on the balance of payments of the borrower.

By these methods the developing countries will be able to obtain more finance than they could otherwise obtain. Their economic development will be accelerated, and in time they can be expected to become more self-sustaining, and sounder risks for more conventional financing and be able to attract more private capital investment.

EVENTUAL NEED TO REPLENISH HARD-CURRENCY RESOURCES

It will be apparent at once from the terms of its loans that the original resources of IDA will not revolve in the same way as the resources of the International Bank or the Export-Import Bank, whose loans are repaid in the currency loaned at maturities corresponding approximately to their own borrowings. In IDA, the longer the term of loans, the more slowly the resources will revolve. The larger the percentage of the loans made repayable in borrower currencies, the less prospect there is that the repayments to IDA will be in currencies which can be re-lent for new projects in other countries. It is, therefore, evident that if IDA is to continue its work over a long period of time, its hard-currency resources will need replenishment from time to time. The articles provide that the member countries, by a two-thirds majority of the total voting power, may increase the resources by providing for additional subscriptions. The terms of any such additional subscriptions will have to be determined at the time, and there is provision for a review of the adequacy of IDA's resources at 5-year intervals.

ADDITIONAL RESOURCES MAY NOT BE SUBSCRIBED WITHOUT CONGRESSIONAL AUTHORIZATION

This provision should be noted, because it points to the likelihood that if IDA's operation is successful, requests for additional congressional authorizations may be made in future years. I should like to point out that the United States is not obligated under the articles to subscribe additional resources, unless it wishes to do so, even if they are authorized by an IDA resolution, and that the bill before you expressly provides that additional resources may not be subscribed by the United States under this provision without congressional authorization. It should also be noted that any resolution to provide additional resources requires a two-thirds majority of the total voting power, and the United States alone has approximately 28 percent of the votes.

ARRANGEMENT FOR THE USE OF LOCAL CURRENCIES

The articles of IDA also provide arrangements whereby the United States can make some of its holdings of foreign currencies available to IDA for development projects. The Association may make arrangements with member countries to receive currencies of another country to be used as supplementary resources, when the Association is satisfied that the member whose currency is involved agrees to such use of its currency.

The United States, under the Agricultural Trade Development and Assistance Act of 1954, as amended, has acquired considerable amounts of the currencies of the less-developed countries and will continue to acquire such amounts annually as long as this program is in effect.

Up to the present, a large portion of the local currency receipts from our sales of surplus agricultural commodities is earmarked for loans for economic development to the country concerned. With IDA in existence, it will be possible to channel part of these local currencies to it to be used in defraying local costs on projects whose foreign exchange is otherwise financed, or for use in projects requiring local currencies wholly or in major part.

The arrangements for the use of local currencies which the United States might provide to IDA will be worked out in individual cases. To use local currencies effectively for advancing economic development, there will have to be a coincidence of the need for a currency by IDA and its availability to the United States for transfer to IDA. Many of these currencies are those of countries which need additional external resources and are themselves rarely in the position of offering assistance to other countries. There will be some cases, however, in which these currencies will be usable for exports. But the agreement of the country is necessary for such use by IDA, and in many cases these countries may prefer to sell their exports on world markets for foreign exchange rather than to make them available to IDA against payment in their own currency.

In order to transfer to the International Development Association local currencies received in payment for our surplus agricultural products, the agreement of the purchasing country will, of course, have to be secured through the sales agreement. By agreement in future sales contracts, these resources can be made available in part to IDA.

IDA AN AFFILIATE OF THE INTERNATIONAL BANK

While IDA is to be created as a separate financial entity, it is to be an affiliate of the International Bank. The President of the Bank will be ex officio president of IDA and will be responsible for its administration. The executive directors of the Bank representing the countries which are members of IDA will function as the executive directors of IDA. To the greatest extent possible, IDA will utilize the Bank's existing officers and staff, so that a large new organization will not be created. In brief, IDA will be administered very closely in conjunction with the International Bank's operations. Its activities will complement the Bank's, and it will enjoy the advantages of the Bank's prudent management.

COORDINATION OF LOAN OPERATIONS

It is our view that the operations of IDA will not conflict with the operations of the International Bank or the Export-Import Bank or the private capital market, since IDA will not make loans to countries or for projects which should properly be financed by these Banks or the private capital market. The size of IDA, in comparison with the Bank, in itself, will mean that the resources of IDA will have to be reserved for those priority projects which cannot be financed on more conventional banking terms but will make a significant contribution to economic development. The possibility of "bad loans driving out good" has been recognized and will be avoided by careful use of the limited resources of IDA and good judgment on the part of its management.

RELATIONSHIP TO THE DEVELOPMENT LOAN FUND

Closely related is the question of our own Development Loan Fund, which was created by the Congress to make loans on terms which also do not impose too heavy a burden on the balance of payments of the borrower. The DLF makes its loans only when a given project cannot be financed under the usual terms by the private market, the Export-Import Bank, or the International Bank. IDA and DLF will have somewhat similar functions.

INTERNATIONAL CHARACTER OF THE IDA

The important difference is that the DLF is a purely U.S. institution. It operates under the foreign policy guidance of the Secretary of State, and its Board of Directors includes the Under Secretary of State, as well as other officials of the Government. The DLF resources are provided entirely by the United States through appropriations made by the Congress. In IDA, on the other hand, the United States will provide only about one-third of the total resources, while the other economically advanced countries of the world will provide considerably more than the United States. This, we believe, is an important step in giving due weight to the economic strength of other countries and their interest in assisting economic development. The extent to which IDA is to finance a project, or the DLF is to finance a project or whether IDA would participate in combined efforts with other lending agencies, would depend in large part on the nature of the project and other considerations which may be relevant at the time.

COORDINATION PROVIDED BY THE NATIONAL ADVISORY COUNCIL

It will be necessary to have appropriate coordination of the U.S. representatives in IDA with U.S. lending agencies. The National Advisory Council on International Monetary and Financial Problems was established by the Congress to coordinate the activities of the U.S. representatives on the International Bank and the International Monetary Fund with the activities of the Export-Import Bank and other agencies of the United States engaged in foreign lending and exchange transactions. The Council has now for a period of 14 years coordinated these activities by reviewing general policies and passing on particular transactions. It has advised the U.S. Governor and the U.S. Executive Director on the Bank on matters of policy in its operations. By the charter of IDA, these officials will serve in the same capacity *ex officio*, as they do in the Bank. The enabling legislation for IDA provides that similar coordination will be assured with the new institution. It should be noted also that the U.S. Executive Director of the International Bank, who will represent us in the day-to-day operation of IDA, is also a member of the Board of DLF, which will be a further assurance of harmonious operation and co-operation.

IDA TO BE GRANTED PRIVILEGES AND IMMUNITIES ON TERMS IDENTICAL TO
THE INTERNATIONAL BANK

The enabling legislation, which you are considering, also provides that IDA be granted privileges and immunities in the United States in the same way as the Bretton Woods Agreements Act has provided these privileges for the International Bank. The terms are identical and they have created no problem as far as the International Bank is concerned, and they need create no problem with regard to IDA.

AUTHORIZATION OF APPROPRIATION

The legislation also contains the authorization of the appropriation of \$320,290,000, which will be our subscription in the IDA. I recommend that this authorization of appropriations be made at this time, though it will be necessary to appropriate only \$73,666,700 for the fiscal year 1961. This amount represents the portions of our subscription which will fall due in fiscal 1961. In the following 4 fiscal years the appropriations required to meet our obligations will in each year amount to \$61,655,825.

PROMPTNESS URGED IN PASSING AUTHORIZING LEGISLATION

The President has urged the Congress to act promptly in passing this authorizing legislation. The IDA was proposed by the United States, and to maintain our position of leadership, it is necessary for us to proceed firmly. If we do so, we may well expect that other countries will adopt the necessary legislation for their acceptance of the IDA agreement. They will have until December 31, 1960, to take the necessary steps, though, if necessary, this time can be extended for an additional 6 months. The articles will not become effective until countries providing 65 percent of the total subscription will have accepted the articles of agreement. This requirement is analogous to the procedure used in the recent increase in the capital of the International Bank. The agreement cannot become effective before September 15, 1960, but it will become effective any day after that time, when 33 percent of the total subscriptions is obtained from other countries, provided the United States, with 32 percent of the total, has deposited its instrument of acceptance before that date.

NEW PHASE IN INTERNATIONAL FINANCIAL HELP TO LESS-DEVELOPED
COUNTRIES

The IDA inaugurates a new phase in international financial help for the less-developed countries. We have recognized their need. We have recognized that many of them cannot develop their economies effectively unless they can obtain capital on terms which bear less heavily on their economies than the types of loans which are now available. In this cooperative venture, other countries will join us. We feel that the economic development of the less-developed countries must go on at a more rapid pace. This will be a source of hope to the peoples in these countries. It will serve to advance their economic life under free institutions, which we all desire. It is up to the United States to take the initial steps to bring this venture into active operation.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Upton. I think that is a very thorough and clear statement.

SPREADING THE BURDEN OF DEVELOPMENT COSTS

There are one or two questions that I have. I wonder whether you made clear the percentage of subscriptions that the United States bears in relation to other countries?

It would be interesting to know with regard to the International Bank, if the United States is purchasing more of the bonds of the International Bank than foreign countries, or not?

Mr. UPTON. In the early days this was true. Recently, however, the pendulum has swung the other way. Last year the issues which the International Bank sold were sold in Europe. Recently we asked the International Bank to make an estimate of where its bonds were held. We asked them this because a great many of its bonds are issued in dollars, but are taken up by European holders, and at that time the International Bank estimated that approximately half of its total bonds were held outside the United States.

The CHAIRMAN. And in recent years the sales to foreign purchasers have been greater than sales to American citizens; is that not correct?

Mr. UPTON. That was true certainly in 1959.

The CHAIRMAN. Yes. Is it fair to say that both the International Bank and the IDA are efforts to spread the burden of financing the development of underdeveloped countries among all the free nations rather than for the United States to bear such an overwhelmingly large part of it?

Mr. UPTON. Yes, Mr. Chairman; that is correct.

The CHAIRMAN. And that, in a sense, the movement in this direction could be interpreted as a movement away from the former policies as evidenced by the Marshall plan and Development Loan Fund, and you regard this as a healthy movement; is that not correct?

Mr. UPTON. Yes, sir; I do.

LOANS CAN BE MADE TO GOVERNMENTS

The CHAIRMAN. Will any of these resources be made available to any foreign government?

Mr. UPTON. The charter is flexible in this respect as to who may borrow. Loans can be made to governments. They can be made to entities of governments; they can be made to individual industrial companies or other types of companies. In this respect, the chief difference from the International Bank is that the IDA is not required to obtain a Government guarantee, but it may if it so wishes. The International Bank makes its loans only under Government guarantees.

EMPHASIS TO BE PUT ON SPECIFIC PROJECTS RATHER THAN FINANCING DEFICITS

The CHAIRMAN. Is it anticipated that any of the funds of the IDA would be loaned to a country because of an internal governmental deficit in its budget?

Mr. UPTON. The loaning terms of IDA are rather flexible, but the emphasis is put on specific projects. While it is not specifically stated that a loan may not be used for a deficit, the whole tenor of the negotiations and discussions was such that greatest emphasis will be put on specific projects, either individual or group or regional in nature, rather than the financing of any deficits.

I consider that the financing of a government deficit per se would be distinctly against the implications and the operations of IDA.

The CHAIRMAN. Then while it may be possible as far as the policy of our Government is concerned, this would not be a proper purpose for the use of these funds; is that correct?

Mr. UPTON. Well, in the ultimate analysis, the directors of IDA and the management of the Bank will make the decision as to the use of the funds. But may I point out once more, that I took part in these negotiations myself. There was a great deal of discussion of the types of things that would be financed, and there was very general discouragement of any idea that these funds should be used for deficit financing per se.

AMERICAN CORPORATIONS CONSIDERED ELIGIBLE FOR LOANS

The CHAIRMAN. Would an American corporation doing business in one of the so-called underdeveloped countries be eligible to borrow for the development of a project in the country?

Mr. UPTON. There is nothing in the charter which makes any statement whatsoever about the nationality of a corporation borrowing. I would consider that an American corporation would be eligible.

The charter provides that the primary criteria concerning borrowing shall be for projects of high priority, and if an American corporation could qualify under that general term and under the interpretation of it by the IDA, I would consider it would be eligible to borrow.

The CHAIRMAN. They are eligible? It is merely a question of the wisdom of the particular project?

Mr. UPTON. Yes.

The CHAIRMAN. That is for the directors——

Mr. UPTON. That is correct.

The CHAIRMAN. They could qualify under the authorization?

Mr. UPTON. They could qualify.

RELATION TO INTERNATIONAL FINANCE CORPORATION

The CHAIRMAN. There is one international corporation that I do not believe you referred to in your statement. How is this related to the International Finance Corporation?

Mr. UPTON. Well, the International Finance Corporation is a separate institution with its own separate capital, with its own separate objectives.

Now, basically the International Finance Corporation attempts to develop private industry in the various countries where it operates, and on what one might call a quasi-venture capital basis. It often makes investments through the means of convertible debentures or some other form which would enable the ultimate holder of these debentures to share in the profits of the enterprise.

It is also the basic policy of the IFC to invest in a private company, industrial or agricultural, or whatever nature it may be, to build it up and then to resell its interests to private institutions and private investors at a later date.

In other words, the Bank and IDA make loans, and primarily will make them in the fields of what we might call basic economic overhead, railroads, power, water, roads—things of this sort. Whereas the IFC makes capital investment in specific industrial projects of a more developed nature, the type of industry that comes into the country once the basic economic overhead has been established.

PROGRESS OF THE IFC

The CHAIRMAN. You may not be prepared to answer this, but I would be interested to know what progress had been made in utilizing the resources of the IFC in the last year. It was very slow to get started. Is it doing any more business now than it did?

Mr. UPTON. I do not have the exact figures before me, Mr. Chairman, but last year it made more loans, individual loans, than in any previous year; and it is definitely my impression that it is accelerating its rate of investment and making of commitments.

Wait. I think I have some figures here. As of the end of December, they had total commitments, net of cancellations, of approximately \$23 million. If my memory serves me correctly, this is up from approximately \$12 million the year before. Of these, 19 percent were in Asia; 3.9 percent in Australia; and 77 percent in the Western Hemisphere, primarily Latin America.

The CHAIRMAN. It is still very small. It has available, I believe, nearly \$100 million.

Mr. UPTON. That is correct, sir.

The CHAIRMAN. And it has been in existence how long now; is it 4 years, 5 years?

Mr. UPTON. I might comment on that, Mr. Chairman. I think that IFC faces problems of a different nature than the Bank and IDA will face or the DLF, because, since it invests rather than makes loans, the effective use of its resources presupposes a capital market in the borrowing country, laws that provide for shares, stock markets, and so forth. This, in effect, means that it is very difficult for IFC to go in a country which is in a very early state of development. It finds its best opportunities in countries which, while still basically underdeveloped, have nonetheless developed their own savings and their capital markets and their institutional structure to the point where they do have share companies and they do have the mechanisms of the capitalistic system.

I think this explains one of the reasons why such a heavy percentage of the IFC's investments have been made in Latin America, where this does exist to a considerable extent. It also, I think, depends upon IFC's ability to find attractive projects where other investors wish them to participate. The IFC has been in existence 4 years.

The CHAIRMAN. It may be that this particular activity was an experiment that has not been able to succeed, since there is quite a substantial amount of funds held available for it. If it is not going

to function any more effectively, we might consider merging it with the IDA or with the Bank and making those resources available. I see no point in letting them sit there more or less idle if they are not going to do very much. It could be that this was not a successful approach to the problem. I thought its main purpose was to make very strenuous efforts to develop private enterprise and the traditional procedures of a private system in some of these countries rather than wait until they are developed. I thought it was to be an agency to generate those conditions.

Mr. UPTON. Well, I think this is true. But these two things have to go hand in hand.

The CHAIRMAN. I understand.

Mr. UPTON. I do think this, Mr. Chairman, that the rate of increase in IFC over the previous years is quite a substantial one, so even though a relatively moderate part of its capital is used at the present time, we have seen an ever-growing tendency for it to be used more effectively.

RELATIONSHIP BETWEEN THE DLF AND THE IDA

The CHAIRMAN. One last question: Is there any basis for a distinction between the purpose of DLF and the Bank? Could it be said truthfully that the DLF is more likely to be used for such things as wharves, transportation, and public facilities that are basic necessities. Then after those conditions are met, we come in with the loans of the Bank and of IDA?

Is that a valid distinction or not?

Mr. UPTON. I would be inclined to say that both the DLF and IDA will tend to work in the same type of what one might call economic overhead projects. That is, the basic facilities such as you mentioned—the waterworks, the power, the light, the roads—to provide the basis for the country to develop primary and secondary industry.

DLF also, of course, is making a number of loans to private industry.

We did give some thought to this question of the relationship between IDA and DLF with respect to the questions that might arise here.

The precise relationship will be worked out over a period of time and many factors will be involved. The DLF and the International Bank now consult from time to time concerning prospective projects, and the existence of IDA will be further reason for these institutions to discuss matters of mutual interest.

It is likely that in the first instance the prospective borrower will approach one or the other institution. Perhaps the International Bank or the DLF has in the past provided funds for a similar or related project. But when the approach is made to the former, the Bank will be able in appropriate cases to offer the facilities of its close affiliate, the IDA.

Borrowers will, of course, recognize that the DLF is a national instrument responsive to U.S. foreign policy considerations, an important element in the U.S. mutual security program. This, too, may be a consideration in their decision on where to make the initial request for financing.

It is important to note in this connection that the U.S. Executive Director of the IDA is also on the Board of Directors of the DLF, and this facilitates the coordination of the policies of the two institutions.

The basis for this coordination will be provided by the National Advisory Council.

The CHAIRMAN. You stress the coordination among these financial institutions, which is all to the good.

TAX POLICIES REGARDING FOREIGN INVESTMENT

Is there anyone charged in the Treasury or in our Government with coordinating our tax policies with our economic policies in the foreign field?

Mr. UPTON. Well, the tax matters in the Treasury, of course, are the direct responsibility of the Secretary, and under him, of Under Secretary Scribner. When matters of taxation arise which have a bearing on anything to do with our foreign financial policies, these are discussed with those divisions of the Treasury which are concerned with foreign financial policy, and also with the appropriate officials of the State Department.

The CHAIRMAN. I asked you that because at a meeting last night of some of the most prominent companies in America who do business in the foreign field, it was alleged that the Treasury discourages by many of its tax policies the participation of private industry in this effort to develop foreign underdeveloped countries. It was alleged that with one hand our official policy is to encourage private development and Government developing, too, in the foreign field, but on the other hand, the Treasury comes along and puts very serious obstacles in the achievement of this purpose. That is what prompted this question.

This thought came from the representatives of these companies in this field, and I wondered if you would comment on it.

Mr. UPTON. Mr. Chairman, I also appeared before this group and became aware of their impressions on this matter. There is obviously a difference of opinion between various groups concerned in this.

I think it is fair to say that the attitude of the administration has been to give incentives, particularly for investment, in underdeveloped countries. I refer to the applicability of ICA investment guarantees, to the possibility of tax treaties, and also to the administration's position on the Boggs bill, but not to wish to offer special incentives for investment in industrialized countries—

The CHAIRMAN. Well, I thought I ought to mention that to you. They are very disturbed about this matter and, of course, I suppose that is the reason they had me and other members of this committee down there, to tell us about their troubles. They were all responsible companies which were represented there.

They specifically complained about your requirements for the transfer of earnings of a company operating in one foreign country to another foreign country, even though these were not industrialized countries. They were very bitter about that.

Well, I will not pursue that. It is a tax matter, but I thought someone in the Treasury should be responsible for coordinating the tax policy—which we usually consider a domestic matter primarily—with our foreign policy. It could well be that one part of the Government is spending money to accomplish some objective which the other part of the Government is putting obstacles in the way of.

Senator Green, do you have any questions?

EFFECT ON PRIVATE ENTERPRISE

Senator GREEN. I would like to ask this question, if you do not think it has already been asked and answered. What effect will this have on private enterprise?

Mr. UPTON. I think I can answer this in two ways, Senator: First for private enterprise to operate in an undeveloped country, there must be the basic economic factors of public utilities, of railroads, of docks, of water, of power—all of these things—before private enterprise can move in with factories.

This institution will primarily be interested in providing economic overhead on terms which will not bear too heavily on the balance of payments.

Secondly, this institution is closely related to the World Bank, and its charter refers to the purposes and background of the World Bank, which are definitely to encourage private enterprise, and it is specifically prohibited from making loans which could be made by private enterprise.

So in my opinion, this will be a constructive force in the development of private enterprise in the less developed countries.

Senator GREEN. That is all. Thank you.

The CHAIRMAN. Mr. Aiken.

CATEGORY OF PARTICULAR COUNTRIES

Senator AIKEN. Mr. Upton, what has become of our old friends, the underdeveloped countries? I notice they have all become less developed countries now. What is the significance in the change in term?

Mr. UPTON. This is possibly a recognition of the sensibilities of some of these countries in being called underdeveloped. There is quite a broad terminology—underdeveloped, less developed, less industrialized, and so forth. I do not think there is any real unanimity on which terminology will be used. But I think we felt some of these countries may be a little sensitive about being called underdeveloped, so the term “less developed” now seems to be in use.

Senator AIKEN. Would it be possible for a country to qualify for a soft loan as a less developed country when that same country might not qualify as an underdeveloped country?

Mr. UPTON. This problem is taken care of in the charter by the division of all of the member countries into two groups—the industrialized countries and the other countries—whether you call them undeveloped or less developed or less industrialized: Only those that will be in the second group will qualify.

Senator AIKEN. Now, just what criteria were used to determine the category in which each signatory will be placed?

Mr. UPTON. Well, this presented the Bank with an interesting and rather difficult question. A large number of economic criteria were made available by the Bank, the amount of capital exported by the country, the gross national product of the country, and various other things of that sort. These were reviewed by the Board of Directors. But in the ultimate analysis, the management of the Bank was invited to present a list of those countries which, in their opinion, and based

on the background of the World Bank, should be in category I and those which should be in category II. The management presented this list, and the various executive directors who were negotiating the charter discussed it and agreed that this was an adequate list.

Senator AIKEN. Is there provision in the agreement for shifting from one category to another? Suppose that, we will say, the price of a certain commodity which is very abundant in one of the countries in part II results in a windfall for that country and it has become well to do. Is there provision for shifting that country to the category of part I?

Mr. UPTON. There is no specific provision for making such a formal transfer, but I think that what would happen would be that the economic development of the country would be recognized in the attitude of the IDA management and the IDA directors with respect to granting loans in these countries.

Senator AIKEN. And it is intended that they would then become ineligible to participate in a soft loan?

Mr. UPTON. I do not know whether it would be ineligible, but naturally the economic precedence would tend probably to be of a lower order if a country developed industrially to a very great degree and very rapidly. In point of fact this problem is a broader one for, although we did divide the countries into two groups, actually there are a tremendous number of variations in economic strength between the individual countries in each group.

SIZE OF INITIAL CONTRIBUTIONS

Senator AIKEN. Well, the grapevine tells us that already two of the countries that are in group I have some reservations about the size of their initial subscription. I refer to Holland and Belgium. Is there any difficulty there, and has that problem been resolved?

Mr. UPTON. Well, it is true that during the negotiations, both of these countries expressed the feeling that their subscription was set too high. But it was the general judgment of all of the negotiators that it was not feasible or desirable to shift from subscriptions which were based on the relative bank subscriptions and so the decision has been left up to these countries, and at the present moment we do not know what their attitude will be in actually joining.

We do hope, of course, that in the ultimate analysis, they will become members like the rest of us.

Senator AIKEN. Have some of the other countries already made provision for their subscriptions, their share of the financing, or are they waiting to see what the United States does?

Mr. UPTON. We do not have definite knowledge of the stage of legislative processes in these countries except in the United Kingdom where we understand this has been introduced into the Parliament.

SUPPLEMENTARY RESOURCES

Senator AIKEN. I noticed in your statement that the articles of IDA also provide arrangements whereby the United States can make some of its holding of foreign currency available to IDA for development projects.

I assume that would relate at least to Public Law 480 funds, and that provides that the United States could also contribute other funds besides its subscription of \$320 million; is that correct, or how would that be made?

Mr. UPTON. Well, there are several separate definitions and clauses covering this. There is a specific clause covering what is known as supplementary resources, and this would cover the making available of local currencies such as Public Law 480.

In addition, however, any country, if it wishes, may make available additional funds in its own currency to the IDA on such terms and conditions as may be agreed upon.

And thirdly, there is provision for a country to loan to IDA, so you have three separate provisions covering three different, separate types of additional resources.

Senator AIKEN. In the case of the United States, however, you were thinking in terms of Public Law 480 funds more than any other source, were you not?

Mr. UPTON. That is correct.

Senator AIKEN. This would mean besides its initial contribution of \$320 million, the United States might conceivably contribute another \$320 million in other funds?

Mr. UPTON. Well, the provision of local currencies, Public Law 480 funds, depends upon the agreement of IDA, of the country whose currency is represented, and of the United States. And when these three are in agreement, the currency and the amounts agreed will be transferred to IDA for use by IDA.

It is not possible, Senator, to estimate the amount.

Senator AIKEN. I know that. If the Senate approves this agreement, then is it the intention of the executive branch to ask for authority to make these additional funds available?

Mr. UPTON. We think that this authority already exists but may require further clarification, and this matter is now under intensive study by the executive branch.

Senator AIKEN. Then if the United States, we will say, makes \$300 million worth of Public Law 480 funds available, does that carry any additional voting rights?

Mr. UPTON. No, sir; it does not.

Senator AIKEN. It does not.

The CHAIRMAN. Will the Senator yield on that point?

Senator AIKEN. Yes, I yield.

The CHAIRMAN. Can you prepare some proposed amendments in regard to this so we can consider them while we are considering MSA legislation within the next 2 or 3 weeks?

Mr. UPTON. We are trying to do that, Senator.

The CHAIRMAN. I hope you will, because it would be much more convenient to consider them in connection with that legislation than try to take them up later.

Senator AIKEN. It would be much more enlightening to the Congress and to the Senate when it is asked to approve this agreement, if they knew what further steps were contemplated in the event it is approved.

The CHAIRMAN. That is all.

Senator AIKEN. May I ask what other countries have indicated that they might contribute additional funds besides the original subscription?

Mr. UPTON. We have no firm indication from any country at this time that it wishes to contribute such funds.

Senator AIKEN. Then this provision was put in here expressly in the hopes of getting additional funds from the United States?

Mr. UPTON. I think we should distinguish from the general term "additional funds," the local currencies which come from our sales agreement. The latter are, of course, additional resources, supplementary resources, but they are not resources in hard currency.

I might say, also, that it is possible that in due course other industrialized countries might also contribute local currencies because there are one or two cases where those countries do have local currencies.

Senator AIKEN. I realize it is possible. We do not have very good precedents for such action, however.

I have one or two other questions here.

Let us go over to the proposed agreement. I noticed article V, paragraph (f).

Senator LAUSCHE. What page?

Senator AIKEN. That is on page 31 of the agreement.

CONDITIONS IMPOSED BY ARTICLE V

Article V, paragraph (f), states:

The Association shall impose no conditions that the proceeds of its finances shall be spent in the territories of any particular member or members. The foregoing shall not preclude the Association from complying with any restrictions on the use of funds imposed in accordance with the provisions of these articles including restrictions attached to supplementary resources pursuant to agreement between the Association and the contributor.

Just what is the meaning of that provision?

Mr. UPTON. Well, I think there are several meanings to it.

First,

imposes no conditions, the proceeds of its financing shall be spent in any territory of its member or members—

means that the Association could not state that this percentage should be spent in the United Kingdom or this percentage in the United States or Germany. That applies to its normal resources capital.

Now, the second part—

shall not preclude the Association from complying with any restrictions on the use of funds imposed in accordance with the provisions of these articles including restrictions attached to supplementary resources pursuant to agreement between the Association and the contributor—

that refers to the local currency.

The local currency subscriptions are contributed by the under-developed countries, and there are restrictions upon the extent to which these may be used: specifically, the countries themselves must generally be in agreement with the Association.

Thirdly, with respect to our own local currencies that we might supply from Public Law 480, it simply means that these will be subject to the terms and conditions which will be developed in each individual case.

Senator AIKEN. That means if we should make \$100 million worth of Public Law 480 funds available, that we could attach restrictions to that loan or contribution specifying for what purpose it might be used?

Mr. UPTON. Well, such restrictions as might be attached would be those that were agreed upon between the United States, IDA, and the country whose currency was concerned; and the main purpose of such restrictions would be undoubtedly to the effect that the currency could not be used in a way which would upset the monetary and financial stability of the country concerned.

For example, if we were to take a certain amount of local currency and turn it over to IDA and then insist this should be converted into dollars, it would obviously be upsetting to the country concerned; and so I think this, in a general sense, is to protect the financial and monetary stability of an underdeveloped country whose currency may be made available under the provisions of this clause.

Senator AIKEN. All right. Could we require that those funds so made available must be spent in the United States?

Mr. UPTON. Well, I would think that this would be interpreted by IDA and the countries as upsetting its monetary and financial stability, because, in effect, what we would be dealing with would be pesos or rupees or some form of currency of a foreign country, which would have no value per se in the United States but only a possible value of acquiring dollars with it. For us to insist that this currency be used to acquire dollars would, in effect, be taking a resource out of the country which would be contrary to our basic objective of our providing resources to that country.

THREE-WAY AGREEMENT NECESSARY

Senator AIKEN. Could we specify a third country in which this money must be spent?

Mr. UPTON. Well, there would have to be an agreement between IDA and the United States and the country whose currency is concerned.

Senator AIKEN. The effect of this whole arrangement, if we decided to do it, would be to make certain soft currency in the possession of the United States available for spending or loans through the International Development Association rather than through bilateral agreements?

Mr. UPTON. That is correct, sir.

Senator LAUSCHE. Will the Senator yield for just one brief interruption? It is on this item. It is section 2, paragraph (a), on page 28, dealing with supplementary funds, which states:

Provided that the Association shall not enter into any such agreement unless the Association is satisfied that the member whose currency is involved agrees to the use of such currency as supplementary resources and to the terms and conditions governing the use.

That is what you are talking about, is that correct?

Mr. UPTON. That is correct, Senator.

Senator AIKEN. That would mean the United States would say, "unless we reached an agreement, you do not get the money," the additional funds, would it not? Unless we reach an agreement satisfactory to us?

Mr. UPTON. It has to be a three-way agreement in which each party is satisfied.

LOANS FOR HOUSING POSSIBLE

Senator AIKEN. Otherwise we do not make a contribution.

Is it contemplated that the International Development Association could make loans for housing in a less developed country?

Mr. UPTON. Well, the question of the type of loans to be made was the subject of considerable discussion in the board. Many of the underdeveloped countries felt that more emphasis should be put on loans for social overhead, education, housing, and things of that sort; whereas most of the industrialized countries felt that it was more desirable to make these loans primarily for specific projects in the economic overhead field.

The actual language used in the charter is "Loans of high development priority," and this leaves it to the management of the IDA and the directors to decide whether a specific loan is of a high development priority in the country concerned.

I would think that it is certainly possible that there will be perhaps pilot projects in housing, but I would think that they would be quite limited, and it would not be a very important aspect of whatever the IDA might do.

GUARANTEE PROVISIONS

Senator AIKEN. Does this proposed agreement carry any insurance prospects with it whereby funds made available by banks or insurance companies could be guaranteed rather than making direct loans?

Mr. UPTON. The Association does have the power to guarantee in special cases, but presumably if it did guarantee, it would have to set aside an equivalent part of its assets in order to back up the guarantee.

Senator AIKEN. In other words, the guarantee would be charged against the total capital or available funds of the Association?

Mr. UPTON. Yes, that is correct.

Senator AIKEN. That is all.

The CHAIRMAN. Senator Sparkman.

RELATIONSHIP BETWEEN THE INTERNATIONAL BANK AND THE IDA AFFILIATE

Senator SPARKMAN. Mr. Upton, on the last page of the agreement, a list of the countries is given, part I and part II, 68 of them. Are those identical with the countries that belong to the International Bank?

Mr. UPTON. Yes, sir.

Senator SPARKMAN. And was the agreement negotiated with the entire group?

Mr. UPTON. The agreement was negotiated with the directors of the International Bank, all of whom together represented all of the countries represented there.

Senator SPARKMAN. Yes, I see.

Now, of course, all the way through it is tied to the International Bank and is referred to as its affiliate. It seems to me very wisely connected with the International Bank. However, it also seems to be

very important to stress the fact that IDA's operations will be kept wholly separate from those of the World Bank despite the close affiliation to the institution.

Could you very briefly point out the provisions which insure this separation?

Mr. UPTON. I am just looking this up, Senator. This was, I might say, also a subject of considerable discussion, and I think that where the separation specifically and definitely takes place, and will take place, is in the accounting for all of the funds for IDA.

In other words, this will be managed as a completely separate institution from a financial basis, although the management will—

Senator SPARKMAN. It would have exactly the same personnel, would it not?

Mr. UPTON. There may possibly be additional personnel, but in the early days, it will be the same personnel.

The article which refers to this is article VI, section 6.

It reads:

The Association shall be an equity separate and distinct from the Bank and the funds of the Association shall be kept separate and apart from those of the Bank. The Association shall not borrow from or lend to the Bank, except that this shall not preclude the Association from investing funds not needed in its financing operations in obligations of the Bank.

And then the other two paragraphs deal with the administrative aspect.

Senator SPARKMAN. Yes. In your statement you said that the danger was recognized of bad loans driving out good loans, but that this would be scrupulously avoided. That will be solely a question of the management; will it not?

Mr. UPTON. Yes. I think when one speaks of bad money driving out good, or bad loans driving out good, it implies a choice on the part of the person who takes or receives this money as to which he holds on to or which he gets rid of. In this case, there will be no choice. It will be entirely a decision of the management as to whether a loan should be in hard currencies from the Bank, whether it should be from hard currencies repayable on flexible terms from IDA, or a combination of the two.

APPLICATION FOR MEMBERSHIP BY NEWLY INDEPENDENT COUNTRIES

There will be no opportunity for the borrower to go to one or the other, because the management will be identical.

Senator SPARKMAN. Just one other question. Certainly, Africa, south of the Sahara and north of the Union, contains many underdeveloped countries that urgently are in need of capital. Yet only two or three tropical African countries are members of IDA, whether because of lack of independent status or for other reasons. Presumably, colonial powers will be able to make arrangements comprehending their African territories; but what would happen to such an arrangement when a territory should become independent?

Mr. UPTON. Well, the dividing line as now made is that if a country is an independent country and is a member of the Bank, it is now eligible to join IDA. However, in the IDA agreement, I would like to refer you to article XI, section 3:

By its signature of this agreement, each government accepts it both on its own behalf and in respect of all territories for whose international relations

such government is responsible except those which are excluded by such government by written notice to the Association.

So that as long as a country was responsible for the international relationships of one of these African territories, it would be included under the articles of the Association.

Senator SPARKMAN. I assumed that in my question, but I said, "What happens when that territory becomes independent?" Is there an arrangement whereby it could be taken in?

Mr. UPTON. We would hope that such a country on becoming independent would make application to join the Bank, and we already have this with Ghana, which, a short while after it became independent, became a member of the Bank and therefore eligible to join IDA.

Senator SPARKMAN. In other words, any country which is not included may at some future date come in on its own volition?

Mr. UPTON. That is correct, yes.

Senator SPARKMAN. If it comes into the Bank, is it automatically a member of IDA and vice versa?

Mr. UPTON. No. It cannot become a member of IDA unless it becomes a member of the Bank.

Senator SPARKMAN. But could it be a member of the Bank and not be a member of IDA?

Mr. UPTON. Yes, it could be, but I think particularly in the case of an underdeveloped country, it would wish to become a member of IDA as well.

Senator SPARKMAN. Thank you, Mr. Chairman, that is all.

The CHAIRMAN. Senator Carlson.

STUDY ASKED FOR ON STATUTES

Senator CARLSON. Mr. Upton, the Senator from Vermont, Mr. Aiken, discussed with you at some length the availability or use of funds secured from the sale of agricultural products through Public Law 480 for the International Development Association, and I noticed in the Secretary's statement which you read, and I am going to read it: "By agreement in future sales contracts, these resources can be made available in part to IDA."

Now, I think you replied to the Senator from Vermont that you thought that you had statutes that would permit you to make these arrangements without any further congressional action; is that correct?

Mr. UPTON. Well, Senator, we think this may be so, but we also feel that this matter should be clarified, and that is the reason that the introduction of special legislation on this is now under intense study and we hope that something will come out of this within the next few weeks.

Senator CARLSON. Well, I am not too familiar with this particular act, but it is an important act from an agricultural standpoint, and I would question whether you have it, and therefore I would sincerely hope you would make a study, and, as the chairman suggested, if there are to be any provisions written into it, we should know it in advance at least.

Mr. UPTON. Yes. Thank you, Senator.

Senator CARLSON. Just one or two questions.

INTEREST RATES ON IDA LOANS

Now, we have several agencies that are going to loan money and are loaning money to these countries in various capacities: The International Bank, the Export-Import Bank, and the Development Loan Fund. These loans are based, that is, the rate of interest is based, upon the cost of the operation of the agency and the cost of securing the money; is that correct?

Mr. UPTON. Well, this is true in all cases but one, and that is the Development Loan Fund which received its money from appropriations which, of course, in turn, have to be raised by taxes or by borrowing. The DLF has one category of loans at a rate which now is and has been for some time, $3\frac{1}{2}$ percent. That is for so-called economic overhead projects.

However, when they get into any type of project which is a profit-making project, such as an industrial company, then the considerations which you have stated apply. Their rate would then be $5\frac{3}{4}$ percent.

Senator CARLSON. The question I wanted to ask based on your reply is this: What will be the interest rates under the International Development Association? Will they be so much more favorable than those of existing loaning agencies that everyone will try to get into the International Development Association?

Mr. UPTON. Well, Senator, there has been no determination either of rates or of methods of repayment. In other words, loans could be made in hard currencies, repayable in soft currencies. They could be made in hard currencies, repayable over a long period of time in hard currencies. They could be made at normal rates of interest or low rates of interest. But I think that it is obviously the desire of the United States, and I am sure of other countries, and I speak from my knowledge of these negotiations, that a situation should not arise where this agency was, in effect, competing on the basis of terms with the Development Loan Fund.

We would also hope, so far as the United States was concerned, to coordinate and to express our views on this through the authority of the National Advisory Council and through the U.S. membership on IDA.

Senator CARLSON. You stated, I believe, that these loans will not be available if private capital is available.

Mr. UPTON. That is correct.

AUTHORITY FOR ACCEPTING OR REJECTING LOANS

Senator CARLSON. Assuming that someone makes an application for a loan, who will accept or reject it? Will you start in with the International Bank and go on down through all these agencies until we get to this International Development Association? Who determines who will get this loan?

Mr. UPTON. Well, this is always a difficult question to answer, both in practice and theory. But as far as the Bank and the International Development Association are concerned, this will be determined by the identical management of both institutions.

Now, as between those institutions—and, for example, the Development Loan Fund and the Export-Import Bank—a significant consid-

eration is the country of procurement, because the Export-Import Bank entirely and the Development Loan Fund to a very large extent, make loans only for the procurement of American goods. The International Bank, as you know, has competitive international bidding. So that where the buyer or borrower wishes to purchase in the United States, he will come to the Export-Import Bank. If he wants to purchase in the open market, free bidding, he will come to the World Bank. I would think to some extent at least this same relationship would hold true as between the Development Loan Fund and the IDA.

However, the DLF and the World Bank coordinate and cooperate closely together. They have several loans in common.

Senator CARLSON. As one member of this committee, Mr. Upton, who is very much in favor of making loans available to these countries, either developed countries or less developed, rather than grants-in-aid, I sincerely hope that the program will work out satisfactorily.

Mr. UPTON. Thank you, Senator.

Senator CARLSON. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Lausche.

PROPORTIONATE CONTRIBUTION OF THE UNITED STATES TO THE IDA

Senator LAUSCHE. The proportionate contribution of the United States to this new Association is related identically to the contributions that we have made to the World Bank and the Monetary Fund, or is there a disparity?

Mr. UPTON. Well, there is a very minor fractional disparity with respect to the World Bank, but it is purely technical in nature and is of no importance.

Senator LAUSCHE. Then can it be said that generally our proportionate contribution is about 33 percent?

Mr. UPTON. Well, actually to this institution our total contribution is 32 percent of the total.

Senator LAUSCHE. Is it proper to say that the proportionate contribution of the United States to the World Bank, to the Monetary Fund, and this Development Association, is in the neighborhood of about 32 percent?

Senator AIKEN. Will the Senator yield? That 32 percent would be the amount that we would contribute in the event that everybody in class I and II paid up.

Senator LAUSCHE. Yes.

Mr. UPTON. Yes, that is quite correct.

That is, it is approximately so. I do not have the exact figures for the other institutions.

Senator LAUSCHE. Now, pursuing the thought raised by Senator Aiken, if we subscribed fully as recommended, and if this Association is to go into operation when 65 percent, I think it says, is subscribed, then our proportionate subscription would be greater?

Mr. UPTON. Yes, it could be.

Senator LAUSCHE. And therefore if we subscribe in accordance with the recommendation, and the Association is allowed to go into business when 65 percent of the total contemplated subscriptions have been made, we would be contributing more than 32 percent?

Mr. UPTON. If only 65 percent have been made, Senator.

Senator LAUSCHE. Yes, that is correct.

GUARANTEE FOR THE FREE FLOW OF COMMERCE

Now then, let us get to the further pursuit of the thought raised by Senator Aiken with regard to section (f) on page 31. It says:

The Association shall impose no conditions that the proceeds of its financing shall be spent in the territories of any particular member or members.

Is that language inserted into this agreement for the purpose of preventing the Association from directing the flow of international commerce?

Mr. UPTON. Well, I do not think I have ever heard it expressed in quite that way. I think that it has always been one of the principles of the World Bank that bidding for any of the projects which are financed should be free and competitive on a free world basis, and this is the reflection of that same policy in the International Development Association.

Senator LAUSCHE. If the Association sought to direct a borrower, let us say Thailand, to buy its goods in the United States for a particular project, under the terms which I just read, that would be invalid?

Mr. UPTON. That is correct.

Senator LAUSCHE. So that to that degree it does intend to guarantee the free flow of commerce insofar as the use of these loan funds may be concerned?

Mr. UPTON. Yes, I think that is correct, Senator. I would put more of the emphasis on procurement than possibly on commerce, but with that minor reservation, I would agree with you.

Senator LAUSCHE. Yes. Again it is a matter of semantics, they are both commerce.

Mr. UPTON. Yes.

Senator LAUSCHE. Now, going to the next sentence:

The foregoing shall not preclude the Association from complying with any restrictions on the use of funds imposed in accordance with the provisions of these articles.

PROVISIONS LIMITING THE RIGHT TO LOAN

Now, stopping at that point, where in the articles are there any provisions which limit the right to loan, and attach conditions?

Mr. UPTON. Well, specifically, in article IV, section 1. Now, that reads:

Currency of any member listed in part II of schedule A—
that is the underdeveloped countries—

whether or not freely convertible, received by the Association pursuant to article II, section 2(d), in payment of the 90-percent portion payable thereunder in the currency of such member, and currency of such member derived therefrom as principal, interest or other charges, may be used by the Association for administrative expenses incurred by the Association in the territories of such member and, insofar as consistent with sound monetary policies, in payment for goods and services produced in the territories of such members and required for projects financed by the Association and located in such territories.

Senator LAUSCHE. I think you can stop right there. I think that answers the question so far as I am concerned.

Mr. UPTON. Thank you.

RESTRICTIONS ON USE OF FUNDS

Senator AIKEN. Can I just make another suggestion? Could a contributing member make that contribution with the restriction that none of those funds should be used by the borrower for making purchases in a Communist country? There must be a purpose in putting this escape clause in there, and what we want to know is what it is.

Mr. UPTON. Well, I think that is covered by article V, section 1(f), where it says:

The Association shall impose no condition that the proceeds of its financing shall be spent in the territories of any particular member or members.

This does leave it open to the Association to put restrictions for the purchase of goods in the areas of any nonmembers.

Senator AIKEN. Because someone in the Senate is certainly going to get up and say, "How much of this is going to Khrushchev?" I will almost guarantee that.

Mr. UPTON. This provision is so worded to refer to the members, and the clear implication of it is that the Association may make restrictions with respect to the purchases of goods in nonmember areas.

Senator AIKEN. The Association may make the restrictions, but those restrictions can be insisted upon by a contributing member?

Mr. UPTON. With respect to any of the so-called supplementary resources, this could be included in the agreement under which these were made available.

Senator AIKEN. That sentence does not say "supplementary resources."

Mr. UPTON. Well, at the bottom it says——

Senator AIKEN. It says:

including restrictions attached to supplementary resources.

Mr. UPTON. It says:

The foregoing shall not preclude the Association from complying with any restrictions on the use of funds imposed in accordance with the provisions of these articles, including restrictions attached to supplementary resources * * *.

In other words, if such restriction exists in a supplementary resource, the Association may comply with it.

Senator AIKEN. It also includes the initial contribution, does it not?

Mr. UPTON. Yes; but that would come under the first sentence, however.

Senator LAUSCHE. To clarify that. That would apply only to nonconvertible currency, the second clause?

Mr. UPTON. The second clause. But the first clause applies to everything else.

The first clause is a general as well as quite a specific clause, and then the exceptions to this are found in the second clause.

LIMITATIONS ON THE USE OF LOCAL CURRENCY

Senator LAUSCHE. Now, getting to supplementary resources, are you, Mr. Upton, familiar with the limitations that are imposed upon our country in the use of local currency, and if you are, how does our position become improved by placing the local currency with the

consent of the country that has issued it in this Association. There are certain limitations upon our right to use local currency under the provisions of Public Law 480. Is our effort expanded when we take the local currency, say, of Thailand and put it into the Association?

Mr. UPTON. We would think these rights are probably not expanded, Senator.

Senator LAUSCHIE. So that they would remain identical. When we sell grain to a foreign country and agree to take their soft currency, we say, "We will not take it out of your country, we will leave it there, we will loan it to you for development projects." There may be more than that.

Mr. UPTON. I would not say they were identical; I would say they remain very definitely within the legislation and also within the spirit of the act, but by making them available to IDA, they may be used on different types of projects, IDA projects, possibly projects which would not otherwise have been developed.

So I do not think I would say identical; I think I would say parallel.

Senator LAUSCHIE. Well, they are parallel.

WIDER SELECTION OF USES FOR LOCAL CURRENCIES

For the purpose of the Senate as a whole, will you point out by illustration how the expanded use of them becomes authorized if they are loaned through public law or through this Association, as distinguished from keeping them in the status that they are now in?

Mr. UPTON. Senator, some of the interest in and early support for IDA in the United States arose from the belief that beneficial additional uses for local currencies held by the United States could be made through such a multilateral institution. Indeed, the effectiveness of local currencies by the IDA as set forth in its articles of agreement is one of its important aspects. We believe, therefore, that the IDA in providing a wider selection of uses for Public Law 480 currencies will be of benefit to the countries whose currencies would be involved, to the IDA and its objectives and also to the United States. To the extent that Public Law 480 currencies may be used through IDA to defray local costs of projects which would otherwise be financed in hard currencies, dollars and other hard currencies will be conserved.

Senator LAUSCHIE. You are restating what you said a moment ago, but illustrate it. I would like to see how the use would be widened or expanded under the Association's loan as distinguished from the present status of local currencies?

Mr. UPTON. Well, I think there is a significant portion of this currency which is loaned back or in some cases granted back, to the country itself, sometimes for rather general purposes. Now, if a portion of this were under an agreement with the country and ourselves and IDA, transferred to IDA, then we could be assured that in the use of these funds the judgment and the wisdom and the management of the World Bank and IDA would be behind the selection of the specific project for which these would be used rather than this possibly being based on a rather general agreement with the country

receiving this currency with respect to the portion that has been loaned or in some cases granted back to it.

Senator AIKEN. Will the Senator from Ohio yield?

Senator LAUSCHE. Yes, I will yield.

Senator AIKEN. There is this: If it is a bilateral arrangement for the use of these funds, the United States has control over their use and the United States, to a certain extent, at least, could expect to recover part of it through new business.

But turning it over to the IDA, it is anticipated that any borrower from IDA would do business where they could do business best. The United States is already priced out of the market in a great many fields, and that is why I am trying to find out if the United States can make restrictions to protect itself.

Mr. UPTON. Let me try to clarify my remarks. These local currencies have a very restricted value in international commerce. In other words, to make these local currencies available for purchase in the United States or in England or Germany, or any of the industrial countries, would, in effect, mean that the country concerned would have to take its local currencies and give us or IDA dollars or hard currencies for them, and this is not contemplated.

It is stated here in the articles that it would be expected that the use of the local currency resources provided by the countries themselves will be limited to IDA-financed projects within the country, and also to an agreement with the country for a wider use. Now, this does not so state with respect to Public Law 480 resources, and that will rest on a separate agreement.

We would consider that the same consideration would have to be given to the economy of the country and the sound financial policy of the country.

I think that what you were referring to is more appropriate for the hard currencies that are contributed to IDA's capital than to the soft currencies which would not generally be converted in any case.

Senator AIKEN. Don't we have bilateral agreements with many countries for irrigation projects, and things like that, in which we either use the soft currency, or we would have to give up the project, or use dollars for the same?

Mr. UPTON. That is correct.

Senator AIKEN. And in those arrangements, like Vietnam, for instance, aren't we providing that certain percentages, a fairly high percentage, of these loans must be spent in the United States?

Mr. UPTON. But not the local currency; that would not be available for spending in the United States.

Senator AIKEN. Yes, Vietnam was not a good example of that, because the local currency may be spent in Vietnam.

Mr. UPTON. Yes.

Senator AIKEN. But the dollar loans have to be spent in the United States, as I understand it?

Mr. UPTON. Yes.

Senator AIKEN. But all I want is to make sure that the United States is protected so that we are not subsidizing our keenest competition.

Mr. UPTON. Well, I think the answer to that, Senator, is to be found in the nature of this institution. We do protect ourselves in the

Development Loan Fund and in the Export-Import Bank, because the United States is the sole contributor to the capital and resources of these institutions.

Senator AIKEN. Yes.

Mr. UPTON. But this is an institution where there is an international contribution from all of the member countries, and where the contribution of the United States is significantly less than half.

It has always been the practice in international institutions to have free bidding and free competition, and the United States has always received a share of this free bidding. This is the practice that is anticipated will be carried on in IDA, if for no other reason than its close association with the Bank and the bidding practices of the Bank.

Senator AIKEN. That is all.

Senator LAUSCHE. Let me pursue it from a different flank now.

USE OF SOFT CURRENCY

We—the subscribing nations in part I—have to pay our subscription either in gold or hard currency; isn't that correct?

Mr. UPTON. Yes, sir.

Senator LAUSCHE. And the original subscriptions, if all are vitalized, will be in the sum of a billion dollars.

Mr. UPTON. In both, in all currencies.

Senator LAUSCHE. Yes; in all currencies.

Then the articles provide for supplementary subscriptions, and that is where we would subscribe our soft currencies?

Mr. UPTON. Supplementary resources.

Senator LAUSCHE. Supplementary resources.

Mr. UPTON. Yes.

Senator LAUSCHE. Now, viewing it coldly, is the channeling of soft currency in this Association widening the use of the soft currency by merely becoming a member of this?

Mr. UPTON. No; it is not widening the use by merely becoming a member of this, because each transfer of soft currency from United States holdings has to be a separate transfer negotiated and agreed upon and by becoming a member of this we only agree to subscribe to the hard currency portion.

Senator LAUSCHE. But there would be no sense in channelizing the money into this Association unless a wider use of the soft currency were made.

Mr. UPTON. Or a more effective use.

Senator LAUSCHE. Well, let's put it this way: By subscribing in a supplementary way, we will definitely, through our membership, be authorizing a changed use of the soft currency.

Someone is going to ask before we get through: "Aren't you just trying to find some widened and new use of a plethora of soft currency?" Somebody will have to be able to answer this question.

Mr. UPTON. Well, I am a little confused as to whether this is being approached from the legal point of view, or the actual end use.

From the legal point of view, our acceptance of membership in the Association does not authorize a changed use of local currency; it does make an additional channel available for such uses as are authorized. As I indicated, we think this use is authorized but may require further clarification.

But with respect to the end use of this local currency we would think that by making this available to finance IDA-financed projects, as well as what had been financed previously just by the United States on a bilateral basis, that it would be making a wider use of these currencies.

Senator LAUSCHE. If you can possibly do it, I would like to have you illustrate how the widened use would become effective. That is all I have to offer.

The CHAIRMAN. I wonder if the committee would mind. We have had the Under Secretary of State waiting here for quite some time, and I know he has a great deal to do. I wonder if we could not suspend our questioning of this witness and ask him to be available on Monday when we will have another hearing on this. I believe this would be better than to try to get the Under Secretary back. We are interested in the conservation of his time, because we are very conscious of the need of the administration to have the full services of the Under Secretary downtown. Would that be agreeable, if we could suspend? Would the Senator from Idaho mind if we suspend with this witness and return to him on Monday?

Senator CHURCH. Mr. Chairman, I certainly would not mind, because the request is predicated upon accommodation of the Under Secretary of State.

The CHAIRMAN. It is so late that I am afraid if we don't take him now, I don't know when we will get him back.

We will have Mr. John McCloy and other public witnesses on Monday, and I am sure either Mr. Upton, or perhaps the Secretary, would be available then for further questions.

Would that be agreeable?

Senator CHURCH. That is agreeable with me, Mr. Chairman.

The CHAIRMAN. Would you mind doing that, Mr. Upton? Could you be available on Monday?

Mr. UPTON. Yes, sir.

The CHAIRMAN. The next witness has been here for an hour, and I think we ought to give him a chance to say something. Mr. Dillon, would you come forward. You have some comments to make on this legislation.

I may say that Mr. Dillon had a good deal to do with the original consideration of the resolution in the Banking and Currency Committee, and did very much to enlighten that committee on the significance of this proposal. I thought perhaps it would be useful for the committee to have him here to give us his views on it.

Mr. Dillon, will you proceed please.

STATEMENT OF HON. DOUGLAS DILLON, UNDER SECRETARY OF STATE

Mr. DILLON. Mr. Chairman, I have a brief statement which I will read, if you would like me to.

The CHAIRMAN. Why don't we put that in the record. Then we could ask you a few questions.

Mr. DILLON. Yes, I would prefer that.

The CHAIRMAN. I think maybe in deference to the members who have been sitting here, I might start with the Senator from Idaho and let him start with this witness.

Senator CHURCH. Thank you very much, Mr. Chairman. I appreciate the opportunity, particularly in view of the fact I have a luncheon engagement for which I am already late.

Mr. Secretary, you have been following the questions that were asked heretofore of the last witness, Mr. Upton.

LOANS BY THE IDA TO BE LARGELY IN HARD CURRENCY

Following that line of questions, I note that the original subscription to the IDA will consist, very largely, of hard currency. I would roughly calculate that something over 80 percent of the original subscription would be in hard currency.

Now, would that not mean that about 80 percent of the loans to be made by the IDA would have to be made in hard currency?

Mr. DILLON. The actual figure is about 78½ percent of the resources of the IDA—assuming everybody comes in and takes their full quota—would be in hard currency, and these hard currencies would be the resources that would be loaned.

It would not necessarily mean that every loan was made in that proportion. One loan might be made entirely in hard currency.

Senator CHURCH. True. But I mean in the overall business done by the IDA, the loans would largely be made in hard currency?

Mr. DILLON. That is correct.

Senator CHURCH. Because the resources of the IDA would largely consist of hard currency?

Mr. DILLON. That is correct.

FINANCIAL ADVANTAGE OF IDA

Senator CHURCH. Now, in the excellent original presentation of Mr. Upton I gathered that the chief advantage of IDA would be its capacity to make loans of a kind that the Export-Import Bank, or the World Bank, could not make owing to the higher operating costs and the nature of the financing of the Export-Import Bank and the World Bank.

The IDA could make loans of the longer term and at a lower interest because its operating costs would not be so high. Is that a proper statement?

Mr. DILLON. That is correct.

Senator CHURCH. Now, is that due to the fact that the capital contributed to IDA is grant capital?

Mr. DILLON. That is the basic reason.

Actually, the costs of the funds that are contributed to the Export-Import Bank also come from the U.S. Treasury, but they are made available for the purpose of stimulating our own exports, and the policy has been that those loans should carry an interest rate that is based on the cost of money to the U.S. Treasury.

In the case of the IDA, their funds would also come from government contributions and not, as in the case of the World Bank, from the sale of bonds in the private market.

It is contemplated that every so often, the charter contemplates at least every 5 years, there would be a meeting of the member countries to consider whether or not to replenish the resources of the fund, because they would be used up.

Senator CHURCH. But there would be no obligation upon the IDA to repay any of the capital subscribed therein?

Mr. DILLON. No; there is no obligation to repay it and the purpose of it is to make available loans on flexible terms, and there is even a provision that this might be at no interest at all, zero interest rate.

USE OF PUBLIC LAW 480 FUNDS

Senator CHURCH. Now, with respect to the supplementary resources, which were the subject of the earlier inquiry, if Public Law 480 funds were used, soft currency, it is my understanding that under Public Law 480 the United States may loan back to the country involved local currency to the credit of the United States that has been accumulated as the result of the sale of grain to that country.

Mr. DILLON. That is right.

Senator CHURCH. But these transactions take the form of loans and the country involved is obligated to repay the money. If this money were to be made available to the IDA under a three-party agreement, would this supplementary money be extended to the IDA on the basis of a loan, and would that supplementary money have to be repaid to the creditor, the United States, as would normally be the case if it were handled as a 480 matter?

Mr. DILLON. It is my understanding that it would not. The United States would get a certificate indicating that they had made this sort of contribution, but it would not be a loan that would bear interest and would have to be repaid.

Now, as far as Public Law 480 is concerned, there is also a provision in Public Law 480 where grants can be made under a waiver procedure, and we do make considerable grants out of Public Law 480 funds for economic development.

Senator CHURCH. So for that reason you feel that—

Mr. DILLON. This would be comparable.

Senator CHURCH. This would be within the framework of existing law?

Mr. DILLON. Well, our feeling is that actually the existing law provides that you can make these loans and grants either to countries or to international organizations.

That law was written some time ago when IDA had never been contemplated, but that is why, technically, it probably is the case that we already have the authority to use this. But since IDA is a new idea, and it is something where this might really be used, whereas it has never been used for this purpose before, we thought it might be better to get specific authorization by an amendment to Public Law 480.

Senator CHURCH. I just have one other question, Mr. Secretary.

SHIFT OF EMPHASIS ON LOANS TO LESS DEVELOPED AREAS

It seems to me that, ironically as it may be, a hot war will stimulate tremendous progress in the industrial and scientific fields, even in the medical field, that afterward has a very constructive and beneficial effect. The cold war may also have a stimulating effect by increasing the degree of governmental participation in financing the development of the underdeveloped countries of the world that might not have otherwise taken place for a long, long time to come.

But the motivation is the cold war. The motivation for our foreign aid program and for the participation on the part of the United States in these international banks has been, at least in large part, due to the cold war and our anxieties concerning them.

Now, having in mind that the World Bank was originally established at the time when the economy of Western Europe was broken and wasted in the wake of the war, and the change, the rather dramatic change of conditions that has since occurred, to what degree has the focus of the World Bank's loaning shifted to the underdeveloped parts of the world?

What I mean to get at is to what degree do the established banks now attempt to assist in the financing of the development in the underdeveloped areas of the world which is the objective of IDA?

Has there been a shift in their emphasis and in their loans in recent years?

Mr. DILLON. Yes. The title of the World Bank is the International Bank for Reconstruction and Development; and their original loans were to European countries for reconstruction.

After a short period, a 2- or 3- or 4-year period, their loans have been entirely for development. However, they have made, and do make, some development loans in countries that we would consider highly developed countries, such as Australia, or Belgium, or Japan, recently; but, certainly the great bulk of their loans are made for the purposes of development in countries we would consider underdeveloped.

However, they are limited by the capacity of these underdeveloped countries to repay their hard loans in hard currency, convertible currency, over the period of time that is required, which would be 15 to 20 years maximum, and at an interest rate which is set by the cost of money which is now about 6 percent or higher. Six and a quarter percent is the current World Bank rate.

Senator CHURCH. Would it be fair to say if IDA is established, and our participation in it is ratified and approved, that the newly established IDA and the World Bank and the International Monetary Fund all will be working together, and their effort would be focused toward the underdeveloped areas of the world?

Mr. DILLON. I would say that is correct. Less so with the International Monetary Fund, because an important purpose of the Fund is to preserve orderly exchange markets and their funds are available for developed countries, as well as underdeveloped countries, when they get into trouble, as for instance, their loans to England and to France in the last few years, which helped them over difficult situations, and are being rapidly paid off.

Senator CHURCH. Thank you very much, Mr. Secretary.

I have no further questions, Mr. Chairman.

EFFECT OF THE IDA REQUEST ON THE MUTUAL SECURITY ACT

The CHAIRMAN. Mr. Secretary, have you considered that the passage of IDA might in some way prejudice the fate of the MSA which will be following very shortly hereafter?

Mr. DILLON. I would hope there would be no such effect. The effect on the current budget of the United States would be some \$73

million, which is all we would be contributing to this, which is not very significant compared to the sums that are needed and that we are requesting in the MSA legislation.

THE DIFFERENCE BETWEEN THE IDA AND OTHER INSTITUTIONS

The CHAIRMAN. Do you feel there are sufficient grounds to distinguish the purpose on the one hand, and the impact on the other, of these two different measures so that they will not be considered as duplicating functions?

Mr. DILLON. I think they are very similar; there is really very little difference, if any, between the objectives in the way IDA will operate and the way our own Development Loan Fund operates.

The purpose of IDA is to find a method to obtain substantial contributions from other countries able to contribute and join with us in a multilateral effort.

So this carries out, to a certain extent, the efforts that we are making all the time to get other industrialized countries that are able to do so to carry a larger share of the development burden. That is the fundamental difference, rather than the types of things we are doing.

The CHAIRMAN. Senator Aiken, do you have a question?

Senator AIKEN. No; I thought Senator Williams was next.

The CHAIRMAN. I am sorry. I should have called on you before, Senator Williams.

Senator WILLIAMS. Mr. Chairman, I do have a couple of questions, but I would just as readily direct them to Mr. Upton on Monday, and would just as soon do it and save the time of the committee.

The CHAIRMAN. You go right ahead. I apologize; I overlooked you sitting there. I went to the end over there.

Senator WILLIAMS. That is all right. But how long did you want to continue? My questions can just as readily be asked Monday. I can carry them over.

The CHAIRMAN. Well, you can reserve the ones you think are appropriate. Don't you think you have one that this witness is especially qualified to answer?

Senator WILLIAMS. I think either of them can answer the questions I want to ask. I would just as soon have it go over to Monday.

The CHAIRMAN. Senator Lausche, then.

PROPORTION OF PUBLIC LAW 480 GOODS COVERED BY SALE OR BY BARTER

Senator LAUSCHE. Do you have in mind the proportion of the surplus foods that have been distributed under Public Law 480 that are covered by the gift provision in case of famine emergency, and the proportion that are covered by sales, and the proportion that are covered by barter? Do you have that immediately available?

Mr. DILLON. Not immediately. The amount by sales is far larger than the amount that is under title II by gift, but we will have to give you an accurate figure. We can easily supply that for the record.

(The information referred to is as follows:)

*Export market value of exports of U.S. farm products under Public Law 480 for period fiscal year 1955 through fiscal year 1959*¹

Title	Millions of dollars	Percent
Title I (sales) -----	2,811	55
Title II (emergency relief) -----	410	8
Title III: -----		
(a) Barter -----	1,056	16
(b) Donations -----	789	21
Total -----	5,066	100

¹ The "11th Semiannual Report on Activities Carried on Under Public Law 480, 83d Cong., as Amended," table III, p. 5.

Senator LAUSCHE. My recollection is that the total amount that has been distributed is about 9½ billion and that about 5½ billion is in the sales. The smallest proportion, or share, is in the gift, and the second is in the barter.

You stated a moment ago that we have distributed by way of gift a lot of the currency, or was it the food that you had in mind?

Mr. DILLON. No; it was the currency, Senator. It isn't a large amount, but we are beginning to do it somewhat more now in the case of countries where we have a large accumulation of currency that can't possibly be used for our own use.

When we try to lend this currency, our use of it is pretty well restricted to projects of immediate economic value; but if we wanted to help a country with a school system, building a hospital, building some roads for which you could not see an immediate return, it is, we feel, a sounder practice to contribute those funds on a grant basis to the country concerned. The President has delegated to the Bureau of the Budget the authority to approve such grants.

Senator LAUSCHE. To the nations that issue the currency?

Mr. DILLON. That is correct. Only to them.

Senator LAUSCHE. Is it envisioned that under the IDA that this soft currency might be loaned to other than the issuing country?

Mr. DILLON. No, sir; I don't think so. There is a possibility that it could be under agreement, but it is not really——

Senator LAUSCHE. Very remote?

Mr. DILLON. Very remote.

PURPOSE OF CHANNELIZING FUNDS THROUGH THE IDA

Senator LAUSCHE. Then what is the purpose of channelizing it through the IDA?

Mr. DILLON. The only purpose, Senator, would be that it would somewhat simplify a financial transaction by the World Bank which would involve both hard currencies and soft currencies, because if it was in the IDA, they could make one loan agreement by the World Bank and the IDA, which is the same organization, and it would be a simple transaction; whereas, otherwise, it would be a question of correlating the operations of the World Bank, a multilateral institution, and the United States on a bilateral basis, and we would have to go in and make a bilateral loan of the amount of local currency that

was needed at the same time as the World Bank made their own loan of hard currencies.

That could be done, but it is somewhat more complex.

Senator LAUSCHE. Then, acquiring the advantage of the entire loan being made by the World Bank, the only difference that exists would be that in the one event we would get the money back if we made the direct unilateral loan, but when we capitalize it through the World Bank, we don't get it back.

Mr. DILLON. I think that would be correct, if it were a loan.

Senator LAUSCHE. This would enable us to give the money away.

Mr. DILLON. That is correct. It would be similar to the grant process that we now operate under.

Senator LAUSCHE. Will this S. 3074 authorize the giving of this soft currency to the IDA?

Mr. DILLON. It is not specifically authorized in there. As I stated in answer to, I think, Senator Church's question, we think that under the Public Law 480 legislation, as presently written, we probably technically have the right to do that anyway, but in view of the fact that this is really something that was not contemplated at the time that legislation was passed, we are considering and, I think, probably will suggest, an amendment to the Public Law 480 law that will specifically provide this authority.

Senator LAUSCHE. Would you supply, or have one of your assistants supply, the language in present Public Law 480 which authorizes you to dispose of the soft currency by gift?

Mr. DILLON. Yes, sir; we will.

(The information referred to is as follows:)

Section 104 of Public Law 480 authorizes the President to use or enter into agreements with friendly nations or organizations of nations to use the foreign currencies which accrue under title I of the act for one or more of 18 enumerated purposes set forth in subsections (a) through (r) of section 104.

In the case of some of these "uses," authority to transfer by grant foreign currencies accruing under the act is expressly provided by the language of the subsection itself. This is true of section 104(o) which provides that foreign currencies may be used—

"(o) For providing assistance, in such amounts as may be specified from time to time in appropriation acts, *by grant or otherwise*, in the expansion or operation in foreign countries of established schools, colleges, or universities founded or sponsored by citizens of the United States, for the purpose of enabling such educational institutions to carry on programs of vocational, professional, scientific, technological, or general education;". (Emphasis added.)

In the case of certain other "uses," authority to transfer by grant foreign currencies accruing under the act may be implied from the language of the applicable subsection. This is true, for example, of section 104(c) which provides that foreign currencies may be used—

"(c) To procure military equipment, materials, facilities, and services for the common defense;".

The "use" most relevant to the question of possible transfer by grant of foreign currencies accruing under the act to the IDA is section 104(e) which provides in relevant part that foreign currencies may be used—

"(e) For promoting balanced economic development and trade among nations * * *;" (This subsection also contains the Cooley loan provisions which are not pertinent to the question raised.)

That grants of foreign currencies may be made under this subsection is expressly recognized by the first of the three final provisos to section 104 which provides in relevant part:

"*Provided, however*, That section 1415 of the Supplemental Appropriation Act, 1953, shall apply to all foreign currencies used for *grants* under subsections * * * (e) * * * [unless waived by the President]." (Emphasis added.)

Section 104(e) appears particularly pertinent to the question of possible transfer by grant of foreign currencies accruing under the act to the IDA, since one of the principal purposes of the IDA will be to promote "balanced economic development and trade among nations." It may also be noted that section 2 of Public Law 480, which declares the policy of Congress, states in relevant part: " * * * It is further the policy to use foreign currencies which accrue to the United States under this Act to expend international trade, to encourage economic development, * * *."

With respect to transfers to the IDA of foreign currencies accruing under the act, it may be noted that the initial paragraph of section 104 provides that—

" * * * the President may use or enter into agreements with friendly nations or *organizations of nations* to use the foreign currencies which accrue under this title for one or more of the following purposes;" (Emphasis added.)

Thus, the act appears to expressly authorize the President to enter into an agreement in this regard with an international organization such as the IDA.

Senator LAUSCHE. I think that is all that I have.

The CHAIRMAN. Mr. Dillon, do you have anything further to add? You heard Mr. Upton's statement. Do you have anything you would like to volunteer?

Mr. DILLON. Nothing, except to say that we heartily support the creation of this institution because we think that it will provide a way of obtaining additional resources from other industrialized countries that are interested in helping in development, but have not been able to, or have not found a way of doing so to a very large extent so far, and they will be able to provide these reserves in a way that will be peculiarly helpful to the recipient countries, on this flexible, long-term basis which we have been using for some time, but which has not been common in the international financial community. Therefore, we think that this is a very useful and helpful thing, and we are strongly in favor of it.

The CHAIRMAN. Is it fair to say that the real significance is this spreading of the burden as represented by the hard currency; that the soft currency is quite secondary in importance; and whether or not these contingencies develop is unimportant as compared to bringing the hard currency countries into this effort? Is that correct?

Mr. DILLON. Yes, Mr. Chairman, I think the fundamental thing is the fact of this increasing availability of hard currencies from industrialized countries.

The CHAIRMAN. It creates a mechanism for contributions that does not now exist; does it not?

Mr. DILLON. That is correct. There is a specific provision in here that any industrialized country which wishes to increase its quota individually may make such arrangements, and that might be a possibility for some of the European countries, who are now in a better financial situation than they were at the time of the creation of the World Bank, to make additional resources available.

The CHAIRMAN. The argument that this is duplicating existing institutions, and so on, is not sound since the effect upon us is to spread the burden; is it not?

Mr. DILLON. That is correct.

The CHAIRMAN. It is very much to our advantage?

Mr. DILLON. That is why we favor it.

The CHAIRMAN. In accomplishing the overall purpose it is to our advantage to have this mechanism established; is it not?

Mr. DILLON. Yes, Mr. Chairman.

The CHAIRMAN. The long-run objective of the Government is, as conditions warrant and as improvements take place in these other countries, that we continue to decrease our direct grant programs and transfer it into this field of lending in which other countries participate. Is that not correct?

Mr. DILLON. That is what we would like to do to the maximum extent possible, and this provides a vehicle for that.

The CHAIRMAN. Thank you very much.

If there is anything of critical importance that arises, I hope you would be available to the members who were not given an opportunity to question you this morning.

Mr. DILLON. Yes, Mr. Chairman.

The CHAIRMAN. I think that may not be necessary, but if it is, we will let you know.

(The statement of the Under Secretary is as follows:)

PREPARED STATEMENT BY HON. DOUGLAS DILLON, UNDER SECRETARY OF STATE

I welcome the opportunity to appear before this committee to urge favorable action on the bill before you to authorize the United States to accept membership in the proposed International Development Association. The Department of State fully supports the proposed legislation.

In his statement this morning, the Assistant Secretary of the Treasury, Mr. Upton, described in detail the structure and functions of the International Development Association. I should like to talk about the relation of the Association to our foreign objectives.

The basic premises behind the idea of the International Development Association can be stated simply and briefly.

The less-developed countries of the free world must have a satisfactory rate of economic growth if they are to maintain their freedom and develop into stable, effective, responsible societies. It is an important objective of U.S. foreign policy to help these countries achieve adequate economic growth.

But the job of helping the low-income countries is not one that the United States alone can accomplish. It requires the combined efforts of all the economically advanced nations of the free world. It is right and proper that those nations whose incomes and savings are high should help the developing countries to economic and social progress. This has been the normal pattern of the past. Our own growth on this continent was substantially aided by other nations economically more mature than we.

Today, in a world community in which two-thirds of the world's people are striving to throw off the tyranny of poverty, disease, and illiteracy, it is imperative that all free nations help, lest these peoples, overwhelmed by massive problems, exchange the tyranny of poverty for the tyranny of the all-pervasive, all-controlling state. We, who value liberty, tolerance, and the free and open exchange of ideas, owe it to ourselves to enlarge the community of nations that can meet the aspirations of their peoples for economic and social betterment in an environment of freedom.

Thus, the first basic premise of the IDA is cooperative sharing among all free-world nations of the responsibility for helping the less-developed countries, a task to which all contribute but to which the economically stronger members make a proportionately larger contribution.

In the IDA, the economically advanced countries would subscribe 76 percent of the capital of the Association and their subscriptions would be freely convertible. The low-income countries would subscribe 24 percent of the capital, but only 10 percent of their subscriptions would be in convertible currencies. Ninety percent of their subscriptions would be in national currencies, usable primarily for development projects in their own countries.

The second basic premise of the IDA is that the less-developed countries need external capital on flexible repayment terms. Developing countries need to import from abroad the technology, the industrial materials, and the capital equipment on which growth depends. For this purpose they can use their export earnings; they can encourage the inflow of private investment capital;

and they can borrow on conventional terms from existing public lending institutions.

For some of the low-income countries, especially those which have already achieved momentum in their development, these three sources are adequate to permit a satisfactory rate of growth.

But for many other developing countries, additional sources of capital on easier terms are needed. In some of them, export earnings can barely finance the import of essential consumer goods, there is little left with which to finance imports of capital goods required for growth. Private capital is slow to move because underdevelopment is itself a deterrent. The low level of labor skills; the limited local market; the absence of basic facilities, such as roads, power, and communications on which private enterprise depends; the uncertain political climate, are all obstacles to a greater flow of private funds.

Many of these countries, of course, obtain loans from the International Bank and the U.S. Export-Import Bank. Both institutions have made substantial sums available for imports of capital goods. But the borrowing capacity of the low income countries is limited. Loans from the International Bank and the Export-Import Bank must be serviced in hard currency at rates of interest determined by market conditions. The need for capital imports of many developing countries far exceeds their capacity to service loans on normal banking terms. Many projects that are sound in conception and basic for growth cannot be financed by conventional loans.

Therefore, supplementary funds are needed to provide capital on easier terms for the multitude of projects and programs that cannot otherwise be set in motion. This is the job of our own Development Loan Fund. It is also the job envisaged for the proposed International Development Association. The IDA can be most clearly grasped if it is thought of as an institution with the same basic purpose as the DLF but, by virtue of its international membership, one in which others can participate fully in doing the job that must be done. The IDA, like the U.S. Development Loan Fund, would provide growth capital for meritorious projects on terms that do not overburden the economies of the borrowers.

The IDA should not be thought of as a substitute for the Development Loan Fund, nor should its establishment be the occasion for any lessening of our national effort. The need for development capital is too great for that. The United States must, moreover, have economic instruments of its own which will be responsive to national needs and foreign policy considerations. The IDA should be regarded rather as an additional source of capital, an important addition that increases the total flow of development funds from free-world sources, and one that helps thereby to advance an important objective of U.S. policy.

The third basic premise behind the IDA is that it should be closely affiliated with the International Bank. The IDA will be financing much the same type of project as the International Bank. Both the parent and the affiliate will be examining development programs, determining priorities, judging the technical feasibility and economic soundness of specific projects. This will be their day-to-day work. The essential difference will not be in this day-to-day function. It will be in the repayment obligations imposed on borrowers. It is entirely logical, therefore, that the IDA should be closely tied to the International Bank.

The International Bank has had more than a decade of experience in financing the development requirements of its members. It has sound management, a skilled staff, and singleminded devotion to promoting economic growth. It enjoys the confidence of its 68 members. The affiliation of the IDA with the IBRD will assure that scarce resources are put to optimum use.

These then are the three basic ideas behind the International Development Association: to enlist the participation of all free-world countries in providing growth capital to the less-developed areas; to provide this capital on flexible terms; and to assure sound management through utilizing a tried international institution.

The IDA will be one of several development institutions, each fashioned to do a particular job and to meet a particular need. Let us see how the Association relates to the other institutions that are now engaged in providing capital for economic development.

We have two national lending agencies. First, there is the Export-Import Bank, which promotes the trade of the United States. Export-Import Bank loans must be repaid in dollars on conventional banking terms. Then we have

the Development Loan Fund. The Fund finances development projects that cannot meet the repayment criteria of the Export-Import Bank or other hard-loan institutions. Its loans are made on flexible repayment terms, many of them carrying a lower rate of interest and permitting repayment in local currency. These two institutions complement each other.

We have recently helped to establish the Inter-American Development Bank to promote economic growth in the Americas where we have especially close historical relations. This institution will have two departments: one to finance development projects on normal banking terms as in the case of the IBRD or the Export-Import Bank; the other to provide financing on more flexible terms as is done by the DLF and as is proposed for the new IDA. Its creation has stimulated the more-developed Latin American countries to contribute capital for the growth of those in the Americas who are much less developed. The responsibility for management and for allocation of resources among competing claimants will be a responsibility of the Latin American countries themselves. The institution will increase the total flow of capital, give cohesion to the Americas, and impetus to development. Thus it performs functions over and above those performed by our national financing instruments.

Then there are the international institutions. There is the International Bank that provides loan capital for development projects. It is similar to our Export-Import Bank in that its loans are hard loans. But the IBRD was created to enable many countries to pool their resources and share the burden. It gets the bulk of its funds from the private capital markets of the world with the help of the guarantees of its member governments.

There is the International Finance Corporation, an affiliate of the International Bank. Its purpose is to stimulate private investment in the less-developed countries by associating its capital in private ventures. Its resources have been subscribed by government members.

There is, however, no widely based international organization that pools the resources of many countries for the purpose of providing development capital on flexible repayment terms. This is the function that the new IDA will perform.

The IDA will not duplicate or compete with other lending institutions. It will increase the total flow of development capital to the newly developing areas. It will provide financing of a kind not now available from any other free world multilateral institution. It will perform a valuable service in promoting not only the growth but also the cohesion of the countries of the free world.

I urge this committee to take early favorable action to authorize the United States to join with the other free world nations in the establishment of the Association.

The CHAIRMAN. The committee will now stand adjourned until 10 a.m., on Monday, at which time further testimony will be received on the International Development Association in this same hearing room.

The witnesses, with the possible addition of either Mr. Upton or Mr. Anderson, will be Mr. John McCloy and representatives of the U.S. Chamber of Commerce, the AFL-CIO, the Friends Service Committee, and the American Farm Bureau.

(Whereupon, at 1 p.m., the committee adjourned to reconvene Monday, March 21, 1960, at 10 a.m.)

INTERNATIONAL DEVELOPMENT ASSOCIATION

MONDAY, MARCH 21, 1960

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in the Foreign Relations Committee room, room 4221, New Senate Office Building, Senator J. W. Fulbright (chairman) presiding.

Present: Senators Fulbright, Green, Sparkman, Gore, Hickenlooper, Aiken, Carlson, Williams.

The CHAIRMAN. The Committee on Foreign Relations this morning is holding its second and concluding hearing on S. 3074, a bill providing for the U.S. participation in the proposed International Development Association.

The first witness this morning is Mr. John J. McCloy, of New York.

I may announce for the benefit of the members that on Friday, there were one or two members, specifically, Senator Williams, who did not get an opportunity to question Mr. Upton, and Mr. Upton will be available after Mr. McCloy's testimony in case any Senators wish to question him.

Mr. McCloy, will you come forward, please, sir.

Mr. McCloy, we are very happy to have you. We are very familiar with your long service to the Government in various capacities and we have very high respect for your advice. We are pleased to welcome you this morning.

You have a statement?

Mr. McCLOY. I have a statement.

The CHAIRMAN. You can either read it or put it in the record and summarize it. That is entirely up to you.

STATEMENT OF JOHN J. McCLOY, CHAIRMAN, THE CHASE MANHATTAN BANK

Mr. McCLOY. Suppose I leave it for the record and read a little summary from it.

The CHAIRMAN. That is fine, if you wish to do it.

Mr. McCLOY. I will not go into the details of the organization and the proposed procedures of the IDA because Treasury officials have already done that, so I will try to confine myself to the high spots as they appear to me from my position as a private banker and also for a time I had the privilege of being president of the International Bank during its formative period.

THE DESIRE OF LESSER DEVELOPED COUNTRIES FOR IMPROVED CONDITIONS

I think we are all agreed that one of the great challenges, one of the very greatest challenges, to the United States and the free world in this particular period is this matter of economic development of the lesser developed countries, and I have come to the conclusion that this particular institution, the International Development Association, is well designed to assist in meeting that challenge.

There is this very deeply felt desire on the part of members of the lesser developed countries throughout the world for improved conditions. It is not too much to say that it is almost revolutionary. It has been stirred up by a number of things—a combination of the scientific and technological revolution we have had, the desire that the war caused, the extraordinary speedup of the communications, the shortening of the world which has brought about the ability of these people to see others and the manner in which they live and to stimulate their desires and aspirations to the point where it has become a very major political element in the postwar world.

Already other countries have developed a very marked improvement of their whole economic status, and I refer to Brazil, the Argentine, Mexico, Australia, and Turkey.

CRITICAL PERIOD OF DEVELOPMENT

I think that in view of all this we have a situation in which we can exert quite an impact. I ran into something that de Tocqueville said many years ago: That the growth of nations is very much like the growth of human beings; they all bear some marks of their origin, and the circumstances that accompanied their birth and contributed to their development affect the whole terms of their being.

I think this very definitely is true, and I feel that this is a particularly critical period for us to be having an impact on the development of these nations.

In contributing to their economic development, we also, I believe, contribute to their evolution as democratic societies.

The chances, at least, of their adhering more firmly to the concepts that we have of human dignity and the maximum opportunities for individual development are greater.

Certainly, I think that if we stand aside in the light of this great movement which affects such a large proportion of the population and the geography of the world, we are bound to suffer by it.

There are the final aspects of the colonial period still rankling in the memories of these peoples. This, together with the sight that they now see or that they think they see, at least, of the opportunities for increased economic advantage, has brought about a great battle for the control of men's minds of which the competition with the Soviet Union is perhaps only a part, although it is a very important part.

I think myself that probably we would have this problem before us in a very acute form even were it not for the existence of the economic challenge and the political challenge of the Soviet Union. Sir Oliver Franks has referred to the fact that there is a north-south problem as well as an east-west problem, and I think he is right.

SOVIET ACTION IN THIS FIELD

The fact does remain that the Soviet leaders are very keen indeed, and they are very sensitive indeed, to the existence of this situation in the world, and they seem to have chosen this area of the lesser developed countries as the principal arena of action in the competition with the free world.

You are all familiar with the visits of the top Soviet officials to these areas—India, southeast Asia and Latin America—and even though the Soviet Union is rather coldblooded in going about this matter of economic competition, their assistance is, so far as I can see, somewhat qualified in the sense that it is all tied in with trade loans and hedged with many restrictions concerning the terms of repayment and the use of Soviet technicians. Still they certainly have a very definite propaganda effect and some substantial economic improvement in the areas into which they are moving.

They are challenging us throughout these areas and, of course, even on our own doorstep in the Caribbean.

THE ECONOMIC IMPORTANCE OF UNDERDEVELOPED AREAS

Now, apart from the political impetus, there are the economic reasons for the United States to promote economic progress in these areas. They supply many of the raw materials which are very essential to our economic growth. They have been generating exchange earnings needed to provide major support for their economic development by supplying these raw materials. Thus we have had the development of a free world economic system serving the interests of all the participants. But although this process has been going on, and they have been generating a substantial amount of foreign exchange through their supply of raw materials, their need for, and their emphasis on, capital goods has somewhat altered the pattern of the old days. Then all that was done was to take in the raw materials in the more sophisticated parts of the world, and send back to them the finished goods, in terms primarily of textiles. The 20th century pattern is a radically different one from the 19th century pattern in respect to these lesser developed countries.

But we must not lose sight of the fact that those raw materials that they can supply are an essential element, not only of their own development, but the maintenance of our own economies.

REASONS FOR ESTABLISHING THE IDA

Now, these are all familiar statements to you gentlemen, I am sure, and the fact that this is an important aspect of world development today has been recognized by the Congress of the United States on many occasions. It has supported a number of programs which give assistance to these lesser developed countries, and I think the question can very reasonably be raised as to why we should have still another organization and why it should be the International Development Association.

I feel that there are a number of good reasons for the establishment of such an association. Many of these lesser developed countries have arrived at a stage of economic development that has in-

creased their needs and their capacities to absorb capital. This is particularly true in Africa where, I am sure, the need for capital will be even greater in the future.

ADVANTAGES OF AN INTERNATIONAL ORGANIZATION

I think we have arrived at a stage in world history where it is perfectly clear that the United States should not be expected to shoulder this added burden alone. It is the international aspect of this institution which I think is very important to stress. I am convinced that other industrial countries, are able and now must assume a greater share of the burden of economic assistance. I think that the IDA is a modest step to assist in that cooperation.

I do not mean that we can afford to do less in absolute terms than we are now doing, but I do believe that the magnitude of the effort supporting economic development does need to be enlarged.

I think that it is important that a substantial part of total assistance be channeled through international organizations, assuming that those organizations are well administered.

The International Bank and the International Monetary Fund, I believe, have gotten to a point where they are highly respected by the member countries, and they are in the great bulk of the lesser developed countries. International institutions can and do frequently insist on sound economic policies as a condition for their assistance. To a degree which it is sometimes very difficult for a national organization to insist upon.

In short, they can say, "no," when the answer should be no, and there is something institutional rather than sovereign or personal about the international organization that takes a great deal of the sting out of the negative answer, or, indeed, criticism.

Certainly, this was my experience when I was involved in the World Bank, and I think that this has been the case throughout the subsequent period.

VALUE OF SOFT LOANS

Now, this brings up the question of soft loans which, as I understand it, the International Development Association would administer.

When I was president of the International Bank, it was absolutely essential to fight a vigorous battle against so-called soft loans. We had to go out to the public, to the banks, the insurance companies, the savings banks, in order to obtain the money to enable the bank to operate on something other than the initial contributions of the respective countries. In short, we really did not have a bank until we established in the minds of the investors confidence that that bank would be operated on a sound basis and that the loans that they would put out would be in terms of the market, bankable.

I tried to register the point that the International Bank would be just such an institution. Its objective was that each loan that it made would be repaid on terms which would permit the Bank to raise the money for it in the first place, and that was, I say, absolutely essential at that stage. That policy is still essential, and the high standards maintained by the Bank's management in just this respect are still the basis for its success and the respect in which it has been held.

But I have come to feel that now, due to the development of world forces and the pace of economic development throughout the world, there may be a place for the so-called soft loans. It is pretty clear, I think, that these lesser developed countries will need, and that they can absorb effectively within their countries, more outside loan capital than they could reasonably hope to service in the normal way through the conversion of their exchanges and the balance of payments system.

Many of the loans which the International Bank makes are for projects in the field of power and transportation. They are a rather indirect contribution to the foreign exchange earnings of the country that is involved. The developing countries have a very serious problem converting their local currencies into hard currencies, and the external debt of these lesser developed countries is increasing at a very substantial rate.

I am told from 1956 to 1958 the external debt of the lesser developed countries—Asia and the Middle East and Africa—has almost doubled.

For these reasons I am willing to accept the principle of soft loans as a supplement to the normal operations of the Bank, with, however, the firm understanding that they should be sharply distinguished from those operations which are used to finance the normal type of loans of the World Bank, and the funds that are available for the soft loans must be administered separately from those of the normal World Bank loans. If they were not, I should think there would be a real breach of faith on the part of the World Bank to the investors' funds they have sought from time to time.

SOFT LOANS PREFERABLE TO GRANTS

I think a very reasonable question can also be raised as to why we should have soft loans rather than grants. In the context of the IDA operating in close relationship with the International Bank, I believe that there are a number of reasons why soft loans should be preferred over grants, although as I say, the question is somewhat arguable.

The fact that a loan is called "soft" does not mean that it will not be repaid. The implication of the loan is that it will be repaid. In many cases, the IDA will make loans that will be repaid in hard currencies, perhaps over a longer period than the normal operations of the bank, and with low interest rates and a considerable moratorium before repayment begins.

But still the loan procedure, I think, exerts a discipline on the parties to make sure that the project is soundly conceived. There is a sort of a calculus involved in this situation, which is helpful, if only psychologically, and it may very well be that the sort of project-by-project valuation involved in the loan approaches does produce superior results to those obtained under a grant program.

I think that an interesting situation has developed very recently. Take the case of Libya. A little while back it had no foreign exchange, no conversion, that could have been utilized. The only kind of loan that could have been made at that time would have been a soft loan.

Now, Libya has had an enormous find in the way of oil, and what might then have been a soft loan may develop into a very hard loan, assuming that the explorations there are what they seem to be, and I am told that they are as great as any in the Middle East.

I think the point perhaps is well taken that while IDA may make soft loans, and there is an area in which soft loans are appropriate, the IDA will not necessarily be a soft lender.

It is true that in varying degrees there is an element of grant in every soft loan. It may be that it is in terms of a smaller interest rate or a longer period; it is in terms of a grant in the sense that it is not normally bankable. But I am satisfied that, with the experience that the International Bank has had, and with the proposed organization of the IDA, the differential between normal and exceptional lending operations will always be kept in mind. I also think that the International Bank is the best designed of all the institutions to administer such lending.

JOINT ADMINISTRATION OF THE TWO INSTITUTIONS

This identity and joint administration of the two institutions is extremely important. I think you are bound to have some sort of operation of Gresham's Law in this thing. If you have one institution for soft loans and one for hard, the borrower inevitably will seek out the institution for soft loans. But when you have the identity of administration such as would obtain under this procedure, I believe that situation would be very importantly and effectively moderated.

Joint administration does offer constructive possibilities for joint financing of useful projects which could be launched only if the funds could be supplied under more flexible arrangements than now are available to the Bank.

I keep emphasizing this identity between the International Bank and the IDA as one of the important reasons for my belief that we should support this new venture. Indeed, I would be opposed to it if this were not so.

As I understand it, the IDA will be managed in such a fashion that no loan or portion of any loan that is bankable will be handled by the IDA; and so the IDA would not compete with any public or private lending institutions.

This places a very heavy responsibility on the management of the joint International Bank-IDA operation. I think it probably will from time to time present some awkward situations, but I also feel the record of the International Bank provides ground for confidence that the Bank will measure up to the difficult responsibilities that it will have to assume.

PROBLEM OF COORDINATING VARIOUS LENDING AGENCIES

There is another problem of coordinating the effort to assist these lesser developed countries in their economic development. It does not relate so much to the relations between IDA and the International Bank with the common administration which should produce, as I say, a concerted effort, but to the proliferation of the many other agencies engaged in the same endeavor.

Problems will increase as other industrial nations increase the scale of their assistance to these nations. I was recently a member of the President's committee headed by General Draper for the study of the mutual security program which made a very important part of

their report the necessity for some consolidation and better coordination of U.S. agencies engaged in this aid effort. This is a major problem which will have to be tackled insofar as all of the industrial nations are concerned. It is something that we will have to watch if we are going to be reasonably sure that the administration of this very difficult business will be carried out on a productive and economic basis.

RELATIONSHIP TO PRIVATE INVESTMENT

Now, perhaps I may say something about the private sector, as I am a representative, in a sense, of the private sector. The IDA can lend directly, as I understand it, to private borrowers without a government guarantee; and a good bit of emphasis has been put upon this feature of the bill.

Personally, I think that the volume of this business is apt to be rather limited. I do think there are some fields in which the Association could provide substantial support. I have in mind the various national development banks which have been privately organized in some of the underdeveloped nations. I think that they might afford a very good means by which both private and public funds could be channeled into productive investment.

But I think that in the private field we have to look largely to the indirect benefits that IDA can be reasonably expected to produce. In the long run I think that these developments will encourage private investment, but I do assume that the IDA will follow the general pattern of the International Bank in concentrating its efforts in transportation, power, communications, irrigation—the large fields, the basic infrastructure of development. I think it is only after they are well along that we can look to a very substantial opening up of new opportunities for private investment in the underdeveloped countries.

I do not mean to minimize this, but I do think that we ought to be warned against overemphasizing the speed with which private investment would move into this field or the extent to which the IDA would be lending to private interests.

Of course, another great indirect benefit of the IDA loans with respect to private investment would be the lessening of the burden which these loans would place on the balance of payments position of the borrowing nations. The private investor looks to the ability of the foreign borrower to meet the hard currency demands of his own investors, and I think that the general level of productivity which the loans of the IDA would produce or could be expected to produce over the years would certainly present a better situation for eventual private investment in those countries.

One should not overlook the fact that the net outflow of U.S. private capital in 1958 and 1959, however, was almost 85 percent as large as U.S. Government grants and loans.

Now, a very large part of that went into Western Europe and went into Canada, to be sure. But about \$1.5 billion a year was invested in the lesser developed countries. I do think that private investment can carry with it technological and administrative knowledge that can be of great value to the host country.

With insistence upon the principle which is written into the proposed bill, I would like to register my support for U.S. participa-

tion in this proposed development association, as I think it would be a very constructive contribution to this most challenging task of promoting economic development throughout the free world.

I think that is all I have to say.

The CHAIRMAN. Thank you very much, Mr. McCloy. I think that is a very fine statement, and it makes some points that have not been made heretofore.

(The prepared statement submitted by Mr. McCloy is as follows:)

PREPARED STATEMENT OF JOHN J. MCCLOY, CHAIRMAN, THE CHASE MANHATTAN BANK

Gentlemen, my name is John J. McCloy and I am chairman of the board of the Chase Manhattan Bank in New York City. I am appearing before you today in support of S. 3074, which would authorize the participation of the United States in the proposed International Development Association.

Since Secretary Anderson has discussed the organization and proposed procedures of the IDA in some detail, I shall not review them again. Instead, I'll try to hit some of the high spots as they appear to me from my present vantage point and from my experience as president of the International Bank in its formative period.

I am convinced that providing effective assistance to the economic development of the lesser-developed nations is one of the great challenges confronting the United States and other industrial nations of the free world. I believe the International Development Association can make a contribution to this task, and that it is in our interest to cooperate in setting it up.

One of the great forces at work in the world is a deep-felt desire on the part of peoples in the lesser developed nations for a better life. With the technological revolution and the speedup in transportation and communications, these people see that it is possible to industrialize and achieve rising living standards. Moreover, a number of nations—including India, Brazil, Argentina, Mexico, Australia, and Turkey—have already achieved what Professor Rostow terms the "takeoff." They have begun to move down the path which could make them societies with a relatively high income in the matter of 50-60 years. In a sense, these nations are in their formative years as modern societies, and they will be joined by others in the period ahead.

This suggests that what we do now, or fail to do, could have real long-term significance. DeToqueville suggested many years ago that the growth of nations is somewhat like the growth of human beings * * * "they all bear some marks of their origin. The circumstances that accompanied their birth and contributed to their development affected the whole term of their being." We live at a time of infancy or adolescence for many nations. This gives a meaning to our attitudes and policies toward the lesser developed areas which transcends the cold war, although the fact of the competition with the Soviets is obviously of great moment.

By providing effective assistance to the lesser-developed areas we cannot only accelerate their economic growth but also contribute to their evolution as free democratic societies dedicated to the enhancement of human dignity and the provision of maximum opportunities for individual development. If the relatively rich nations stand aside, or do an inadequate and inept job, these developing nations, embracing three-fifths of the world's population and land area, may take the totalitarian route. With bitter memories of colonialism in many places, fertile ground exists for breeding a lasting hostility toward ideals that reflect the values of Western civilization. In my judgment, the battle for men's minds is the fundamental challenge confronting the free world. Economic assistance is an important, though by no means the only, device that can be used to meet this challenge.

The Soviet leaders are well aware of this, perhaps disturbingly so. They have announced that they intend to make the lesser-developed nations their principal arena of action in this competition. The recent tours of top Soviet officials to India, southeast Asia, and Latin America provide evidence that the drive is being pursued. Economic assistance is being used by the Soviets in a coldblooded manner to advance their own interests. All Soviet assistance is in the form of tied loans, hedged with many restrictions concerning the terms of repayment

and the use of Soviet technicians. While the publicized terms of the loans seem generous, they can prove to be onerous in practice. Nevertheless, it is clear that the Soviets are challenging us in the economic field. Indeed they are extending the challenge even to our own doorstep.

In addition, there are well-rehearsed economic reasons that emphasize the interest of the United States in promoting economic progress in the lesser-developed countries. They can supply many of the raw materials and foods needed to support our economic growth. By so doing, they can generate the exchange earnings needed to provide major support for their economic development. Thus, it should be possible to develop a free world economic system which serves the interests of, and contributes to the attainment of the aspirations of, all participants. The presently underdeveloped nations would gain in that they could secure through trade and economic assistance the machinery, equipment, and technical assistance needed to further their economic development. The industrial nations would gain in that they could secure needed raw materials at reasonable costs and have an opportunity to market the products they produce most efficiently.

It should be emphasized that this pattern of trade, economic assistance, and private investment is far different in character from that associated with colonialism. In the 19th century the industrial nations traded manufactured consumer goods (predominantly textiles) for raw materials. Now the industrial nations trade capital goods for raw materials. The modern pattern of trade serves the mutual interests of the trading nations and contributes far more to the economic advance of the less-developed nations than the trade of the 19th century.

Up to this point I have been talking in general terms about the importance of supporting economic growth throughout the free world. I am conscious of the fact that the Congress of the United States has supported a number of programs which give assistance to the lesser-developed nations through loans and grants. Why then should we participate in still another organization, the International Development Association?

I believe that there are a number of good reasons for the establishment of the new Association. First, the need of lesser-developed lands for more external assistance is growing steadily. The very success of a number of countries in getting economic development underway has increased their needs and capacity to absorb capital. At the same time the new nations, particularly those in Africa, will require greater assistance.

The United States should not be expected to shoulder this added burden alone. As an international institution, the IDA can enlist assistance from other nations in the West. I am convinced that other industrial nations can and must assume a greater share of the burden of economic assistance in the years ahead, and IDA represents a modest step in that direction. This should not mean that we can afford to do less in absolute terms, for the magnitude of the effort to support economic development needs to be enlarged.

I believe, too, that there are real advantages in channeling a good part of total assistance through international organizations, provided such organizations are well administered. Both the International Bank and International Monetary Fund are highly respected by the member countries—including the lesser-developed countries as well as industrial nations. Such institutions can insist on sound economic policies as a condition for assistance without appearing to infringe on the sovereignty of the borrower. They can, in short, say no when the answer ought to be no. There is something institutional rather than sovereign or personal about an international organization that takes some of the sting out of critical comment or a negative answer.

This brings me to the question of the so-called soft loans. When I was President of the International Bank, I believed that it was essential to fight a vigorous battle against soft loans. I tried to register strongly the point that the International Bank would be an institution which looked upon projects from a normal banking point of view. Its objective would be to make sure that each loan could be repaid on terms which would permit the Bank to raise the money for it in the first place. This was absolutely necessary if the Bank was to establish its credit, if it was to be able to float bonds and get the capital it needed. Such a policy is still essential—the high standards maintained consistently by the Bank's management are the foundation of its success.

However, I have come to feel that there may now be a place for soft loans. There is evidence that some of the lesser-developed nations will need, and can absorb effectively, more outside loan capital than they could hope to service in a normal way. Many of the loans made by the International Bank are for

projects in fields such as power and transportation, so they make only an indirect contribution to foreign exchange earnings. Thus, the developing nations face a transfer problem—a problem of converting local currencies into hard currencies for loan repayment. I am told, for example, that in the 3-year period from 1956 to 1958 alone, the external debt of the lesser-developed nations in Asia, the Middle East, and Africa almost doubled. For these reasons, I am now willing to accept the principal of soft loans as a supplement to the normal operations of the Bank, with the firm understanding that they are sharply distinguished from those used to finance normal operations.

Why should soft loans be used instead of grants? In the context of an IDA operating in close relationship to the International Bank there are a number of reasons why soft loans seem appropriate. The fact that a loan is soft doesn't mean that it will not be repaid. In many cases the IDA may make loans that will be repaid in hard currencies over a long period, with low interest rates and a considerable moratorium before repayments commence. The loan procedure exerts a discipline on both parties to make sure that the project under consideration is soundly conceived. In practice, it may well be that the sort of project-by-project evaluation involved in the loan approach produces superior results to those obtainable under a grant program. And the point has been well taken that, while the IDA may make soft loans, it need not be a soft lender.

Nevertheless, I think it is important to realize that soft loans, by definition, are, in varying degrees, grants. As such, they must be clearly differentiated from the normal lending operations of the International Bank. I am satisfied that the proposed IDA organization and procedures would make this separation.

The arrangement for joint administration of the IDA and the International Bank has positive virtues. It should restrain the propensity of borrowers to seek soft loans in preference to hard loans. It offers interesting, and hopefully constructive, possibilities for joint financing of useful projects which could be launched only if part of the funds could be supplied under more flexible arrangements than are now available to the Bank. The close identity between the International Bank and the IDA is one of the important reasons for my belief that we should support this new venture.

As I understand it, the IDA will be managed in such fashion that no loan, or portion of any loan, that is bankable will be handled by IDA. Thus, IDA will not compete with any other public or private lending institution.

This obviously places a heavy responsibility on the management of the joint International Bank-IDA operation. The record provides ample grounds for confidence that they will measure up to this responsibility.

Nevertheless, there is a serious problem of coordinating the effort to assist in the process of economic development. This relates not so much to the relations between the IDA and the International Bank, where the common administration should produce a concerted effort, but to the proliferation of other agencies engaged in the same general endeavor. The problem will ramify as other industrial nations increase the scale of assistance they provide to the lesser-developed countries. In this connection, I should like to refer to the findings of the President's committee to study the mutual security program—popularly known as the Draper committee—on which I served as a member. The report recommended some consolidation of the U.S. agencies engaged in the aid effort. However, one of the major problems that remains to be tackled is that of working out a coordinated approach on the part of all of the industrialized nations.

At this point I might turn to a view of the International Development Association from the viewpoint of a private banker. While the IDA can lend directly to private borrowers without a Government guarantee, I would think that the volume of such business would be rather limited. The Association might provide some support to the various national development banks which have been privately organized in some of the developing nations. These banks are in a position to channel both private and public funds into productive investment.

However, the indirect benefits from IDA will probably outweigh its direct influence on private investment. I would assume that the IDA would follow the pattern of the International Bank in concentrating its efforts in such fields as transportation, power, communications, and irrigations. Such facilities are essential to economic development, and public investment in these areas should open up new opportunities for private investment.

At the same time, IDA loans will support development while placing a smaller burden on the balance of payments position of borrowing nations than is the

case with International Bank or Export-Import Bank loans. This is important to foreign investors since the ability of a nation to remit earnings is one of the criteria that is examined carefully by prospective investors. One should not overlook the fact that the net outflow of U.S. private investment capital in 1958 and 1959 was almost 85 percent as large as U.S. Government grants and loans. While part of the private investment outflow went into Western Europe and Canada, about \$1½ billion a year was invested in the lesser developed countries. And private investment carries technological and administrative knowledge that can be of great value to the host country. In conclusion, I should like to register again my support for U.S. participation in the proposed International Development Association. I believe it can make a constructive contribution to the challenging task of promoting economic development.

The CHAIRMAN. Senator Green, do you have a question?

Senator GREEN. I would like to ask a few questions.

Mr. McCloy, do you appear here in your individual capacity or in your official capacity?

Mr. McCLOY. I am chairman of the Chase Manhattan Bank, but I am not representing the bank. I am here as a citizen who has had experience in this field in government, and who has had some experience in private banking.

Senator GREEN. I mean, has the bank taken any action in this matter?

Mr. McCLOY. No, the bank as such has taken no action on it.

Senator GREEN. Well, has your committee taken any action? You are chairman of a committee, are you not?

Mr. McCLOY. No.

Senator GREEN. Are you an officer of the bank?

Mr. McCLOY. I am an officer of the Chase Manhattan Bank, but I am no longer an officer of the International Bank. I was at one time president of the International Bank.

Senator GREEN. I mean of the bank of which you are chairman. What is your title now?

Mr. McCLOY. I am chairman of the board of the Chase Manhattan Bank.

Senator GREEN. Well, has that board taken any action?

Mr. McCLOY. No.

Senator GREEN. Have any banks taken any action that you know of?

Mr. McCLOY. No, I think there has been no occasion for any of the banks to take any action in regard to it. I would think it would be presumptuous of me to try to express the opinion of, say, the New York banks. I think that my bank, which has a very large international department, would be in favor of this legislation, but we have not taken a vote on it nor has the board acted upon it.

Senator GREEN. Do you know of any agencies that have taken any action?

Mr. McCLOY. I know of no private agencies that have taken any formal action.

INTERNATIONAL ASPECT OF NEW ORGANIZATION

Senator GREEN. Why do you think that it calls for a new organization to undertake this matter, outside, or in addition to the organizations we have in the Government already?

Mr. McCLOY. I said that I thought that it was very important that other countries in the world share in this burden of bringing along the

underdeveloped countries. We have had very good experience in sharing in the international organization which is the World Bank. I think that has been very useful and very constructive.

They have, however, up to date, dealt only in the so-called hard loans, the normal banking operations, and I have felt that there was a need in the present situation for a different type of lending. I feel that it would be well for us to join and share in an international organization to make these soft loans.

But I emphasize that the agency which administers them should be the same international agency which administers the so-called hard loans.

Senator GREEN. But you have not made it clear, at least to me, why it is necessary to provide a new organization for this purpose.

Mr. McCLOY. Because I think the demand is greater, and we do not have an international organization up to date which can do this, and I believe it is extremely important to get the other countries to share this burden.

Senator GREEN. Well, what could the Government do under your proposal that it cannot do now, if it chooses?

Mr. McCLOY. The Government would have the choice of continuing loans on a bilateral basis without the International Bank or else enlisting the cooperation of the other countries. I believe that having the success of the International Bank before you in the administration of certain types of loans that it would be provident on the part of the United States to give that institution the responsibility of administering this larger program, and thus having the other countries take a larger share of the burden than they have to date.

Senator GREEN. Thank you.

The CHAIRMAN. Senator Hickenlooper.

Senator HICKENLOOPER. Mr. McCloy, I am sorry I was not here at the beginning; I heard only the last part of your testimony.

We have a number of organizations now that are operating in the international financial field: the World Bank, the International Monetary Fund, the IFC, and, locally, in the United States, we have the Export-Import Bank, we have the Development Loan Fund, and so on.

This proposes to set up, as I understand it, an additional international cooperative financial organization; is that correct?

Mr. McCLOY. That is right.

Senator HICKENLOOPER. I am a little confused as to just what the real purpose of this would be outside of the framework of the existing organizations, unless it be for the securing of some different type of cooperation among nations that have a little money or have some credit to extend to the underdeveloped countries.

Mr. McCLOY. Well, only in a sense are you creating a new organization. You are permitting an old organization, that is to say, the International Bank—which has heretofore been conducting operations on a normal banking basis, depending primarily upon the balance of payments situation in any particular country—to administer a different type of loan, a loan which is not necessarily payable in hard currencies, a loan which has or would be apt to have attributes which would not be possible for the International Bank to support. But the International Bank itself administers the whole program.

ADMINISTRATION OF THE NEW PROGRAM

The officers are identical, the board of directors are identical, so that when the lender-borrower comes to seek a loan he has to face the same people in determining how much of that loan should be a so-called hard loan and how much should be a soft loan, so it is not really a new institution.

Senator HICKENLOOPER. It is something like letting commercial banking into the small loans and finance business.

Mr. McCLOY. Yes, it is something like that.

Senator HICKENLOOPER. It is divorced somewhat from their regular business?

Mr. McCLOY. Yes, it is something comparable to that. Although in that case, of course, all the loans are bankable, whether they are small loans or large loans; whereas in this case the prospect of their being repaid in a short term in hard currencies is non-existent or at best remote.

Senator HICKENLOOPER. Well, the International Bank, as you pointed out a moment ago, has operated on what we loosely term bankable loan operations, that is, with security or reasonable security, and the strong probability that they will be repaid in hard currency.

If you extend the operation of the International Bank into the soft loan business, where the probability, at least of immediate payment or payment within a reasonable foreseeable future in hard currency is remote, do you dilute the operation of the International Bank? That is, are you diluting it down to where the full strength of the International Bank structure is weakened from a financial aspect?

Mr. McCLOY. That is one of the points I made in my direct statement before you came in.

Senator HICKENLOOPER. I think I missed that.

Mr. McCLOY. You must separately administer the hard loan operation of the World Bank from the soft loan operation. They must be out of different funds. These appropriations that we are now making or proposing to make to the International Bank, will be used exclusively for this particular field.

If you mix these up and if the World Bank simply adopted a policy of now making soft loans, then, as I said in my speech, I think it would be a very great breach of faith to those (the Government included) who put up their money originally for the World Bank to maintain operations on the basis of convertibility of securities and the balance of payments situation in a particular country.

But now it is proposed that we put up hard currencies to support loans of a different sort. But they must be separately administered, from the so-called hard loans, or there would be the dilution that you refer to.

LOANS TO GOVERNMENTS AND TO INDIVIDUALS

Senator HICKENLOOPER. These loans, Mr. McCLOY, are to be made to governments, are they?

Mr. McCLOY. They can be made to private individuals without a government guarantee, unlike the loans of the World Bank under the existing charter, but I think the primary—

Senator HICKENLOOPER. Could you give an illustration of the type of loan that might be made to individuals?

Mr. McCLOY. Well, I think there is no limitation on the type of loans in the proposed charter. A loan might be given to an industry, let us say a cement plant or a textile manufacturing company or a petrochemical concern. It could be given to almost any private concern that you can conceive of, if the World Bank felt that it was in the general purpose of the basic development of the country.

Senator HICKENLOOPER. Is it contemplated that such a loan would have to have the authority of the local government of which the private entity was a citizen?

Mr. McCLOY. The World Bank can certainly make the loan without a government guarantee. I suppose it would be conceivable that it could make the loan without the approval of the government concerned, but I think this would probably be unlikely.

I do not know that point.

The CHAIRMAN. Mr. Upton, can you supply the answer to that question?

Mr. UPTON. Well, you do not have to have the approval, but you may not make the loans if the country objects to it.

Senator HICKENLOOPER. Is it contemplated that most of these loans, however, will be made to the governments involved?

Mr. McCLOY. I think that probable, in my judgment. I cannot speak for the future administration of the International Bank in this field, but considering the type of projects that I think they ought to have in mind, I would believe that the primary lending would be to governments.

RELATION TO PRIVATE INVESTMENT QUESTIONED

Senator HICKENLOOPER. Well, one of the situations that has confronted us throughout all the postwar reconstruction period has been the almost complete devotion in our financial operations to government-to-government loans, and we have done very little, so far as I know, to attempt the encouragement of private enterprise or private initiative. The money that has been obtained has gone for Government-built and Government-operated utilities and industries of various kinds, businesses of all sorts, utilities of all sorts.

Is there anything contemplated here in this new patch that we are putting on this Jacob's coat for financial international operations that would stimulate or encourage or even coerce local governments to encourage private enterprise as against government monopoly in these countries?

Mr. McCLOY. I think there is nothing coercive that I can read into the bill which would compel them to induce them to deal with private enterprise rather than government.

I did spell out in my statement the fact that this type of loan, this type of basic project—transportation projects, irrigation projects—in these underdeveloped countries are apt to be Government affairs, and once they are established, you do create a better climate for private investment.

There are some words in this bill, as there have been words in other bills, not only related to international organizations but to national

organizations, in favor of private investment. I do not believe that they have been particularly effective except in an indirect way.

I cannot think of anything that should be introduced in this bill, considering the objectives of the bill, which would be better designed to bring about a stimulant to private investment than is now in the bill. I may just add this:

You have a great deal of difficulty in marrying up Government lending with private lending. That has been my experience. I used to think otherwise, but I have had a good bit of experience with the Export-Import Bank.

Senator HICKENLOOPER. It is the line of least resistance in these financial operations to deal government-to-government.

PRIVATE INVESTMENT AIDED IN THE LONG RUN

Mr. McCLOY. That is right. And you will find that the Government will say, "Well, your terms are not the same as our terms." The Government can get their money on easier terms than the private investor can get it. So it looks as if we are charging higher rates, and that is frequently not compatible with the objectives. The result is that you have difficulty doing it. But I emphasize that the basic structure which is built through operations such as those which have already been carried on by the International Bank and such as are contemplated now do in the long run help private investment.

Senator HICKENLOOPER. Over the last several years I have been in a number of so-called underdeveloped countries, some of them more than once, and I have seen practically no progress in the ability of the small individual to get any loans or money. He seems to be in the same great poverty he has been for many years. Certain governmental operations seem to have access to finances, but that only continues to build the government monopolies in these countries and the little fellow seems to have progressed very little in his ability to get credit for his own private operations. The various nations, all of us, that operate along this line just seem to be piling government loan on government loan, and the government monopolies increase and statism increases in many of these countries. But the idea of private initiative does not seem to advance very much, that is, in a vigorous way, which would mean a strong economy in the private enterprise field.

Mr. McCLOY. I think this is a slow development in these countries. I spoke—and perhaps this was again before you came in—of an avenue or channel into which I think a good bit of this financing could well find its way. That is, in the local development banks of these countries where they do lend to the private individual on the ground.

Senator HICKENLOOPER. Yes, you find these local credit banks and development banks, but you have got to be a pretty big duck before you can get that kind of a loan, and the interest rate is prohibitive in those countries.

Mr. McCLOY. This is a better means of getting loans and more expeditious loans directly from the government because they are in that business and they are designed to do it, and I would feel they might very well be the recipient of some of the lending of IDA to the very purpose that you are speaking of.

That may not be the answer and you may not find the development of private enterprise or the little fellow, as you speak of him, coming along until he, or the economy of the country, has felt the impact of the increased power or the increased transportation, which are governmental or quasi-governmental in these underdeveloped countries.

Senator HICKENLOOPER. Well, it is a slow process, but in many ways it has seemed to me like not going near the water until you learn how to swim. I think too often we have taken the line of least resistance and have written a check to the other government and have gone on about our business. And what has happened is that government monopoly, government controls, have increased. The life of the small individual has not advanced a great deal.

Now, maybe it has to be that way, I do not know.

Mr. McCLOY. I believe we should do everything we can, naturally, to develop the private field. I think the tendency that you referred to exists and perhaps it has to exist in view of the underdeveloped character of these countries, the fact there are not very many individuals who do have the know-how. It is a very difficult job for the governments to gather together the technicians.

CONTRIBUTION OF OTHER COUNTRIES

Senator HICKENLOOPER. Well, there are two things that I think are very important, at least in my view. One, I think it is essential, and I think it is morally proper, that a number of these other nations in the world—let us call them the more prosperous nations, in the Western World especially—begin to get in and contribute their share to this developmental program.

I do not mean to contribute credit for their own merchants to do business, but to make some real genuine contributions to the well-being of some of these underdeveloped areas in the world which have to be developed.

We have carried the whole burden up until now in the, let us say, contribution field.

Many of these governments are quite affluent, and they have the money to extend credit to private manufacturers and so on, and literally they are taking the markets away from us in that part of the world.

Part of that is our fault, we are pricing ourselves out of many of the world markets here, but I thoroughly agree it is high time these nations make a proper contribution to this effort.

Secondly, I think, and have thought for a long time, that a so-called soft loan program in certain types of activities is very much indicated. I think the development loan program is a good one which we have here. But I do not think it goes far enough, because I think we ought to establish some mechanism whereby other countries can get in and do their full share. But I do get confused by these numerous international financial agencies that get themselves all intertwined with each other and cause, at least to me, a lot of confusion as to what their clearcut activities are.

It would seem to be better if we could compress a lot of these activities into fewer organizations rather than to extend them into new added organizations.

Mr. McCLOY. That is precisely what is being done in this case, because the operation of these funds, the administration of these funds is going to be administered by the same World Bank that we are familiar with, and not a new one.

Senator HICKENLOOPER. You are just using the same board of directors and so on to administer these funds as administer the other funds?

Mr. McCLOY. Yes, sir, it is the same board of directors as well as the same officers.

Senator HICKENLOOPER. It might be well to think about all development funds being administered by the same board.

Mr. McCLOY. I think there is a great proliferation, there is need for coordination.

Senator HICKENLOOPER. Thank you very much.

Senator GREEN (presiding). Mr. Sparkman, have you any questions?

Senator SPARKMAN. Just this, Mr. McCloy. I have read your statement since I have come in. You are a banker by profession?

Mr. McCLOY. Yes.

Senator SPARKMAN. And you were head of the International Bank in its early days, as I recall.

Mr. McCLOY. That is right.

LENDING COORDINATED WITHIN THE INTERNATIONAL BANK

Senator SPARKMAN. Do you foresee any difficulty in the bank carrying on two separate activities?

Mr. McCLOY. Yes. I said I think they are going to have some rather awkward situations, but I would much prefer to have them administering it than two separate agencies.

Senator SPARKMAN. I notice you make what I consider to be a good point: that you keep down, shall we call it, competition—in other words, the likelihood of making soft loans when bankable loans could be made.

Mr. McCLOY. Yes; and I think the identity of administration is extremely important. Indeed, I said in the course of my statement that unless that feature were involved, I think I would be opposed to this.

Senator SPARKMAN. It is going to require very careful administration; is it not?

Mr. McCLOY. Yes.

Senator SPARKMAN. But you believe that it could be done?

Mr. McCLOY. I believe it can be done because the people who are there know just what the capacity of that country is to make a hard loan and what the capacity is to make a soft loan, and they can adjust the two and there cannot be any monkey business. The borrower cannot be going down to one fellow on one end of the street and coming up and putting him in competition with the other. He will have to make his case before the same man that administers the whole thing.

Senator SPARKMAN. Thank you, Mr. Chairman.

Senator GREEN. Mr. Aiken, any questions?

Senator AIKEN. Mr. Chairman, there are several questions I would like to raise, but inasmuch as we went into this matter pretty thoroughly with Mr. Upton last Friday, in fact, so thoroughly that Sena-

tor Williams did not get any chance to participate in the questioning, I would defer my questioning this morning in the hopes that we may reach Senator Williams today.

If, later on, it develops that we have time on our hands, then perhaps I would like to ask some questions. I do not anticipate that situation, however.

Senator GREEN. Mr. Gore.

Senator GORE. No questions.

Senator GREEN. Mr. Williams.

NO PRESENT INTERNATIONAL ORGANIZATION TO ADMINISTER SOFT LOANS

Senator WILLIAMS. Mr. McCloy, what could be done under the International Development Association that cannot be done under other existing agencies?

Mr. McCLOY. If the IDA goes through, you will have an international organization that can administer both hard loans and soft loans. There is now no international organization which really is equipped to do that.

Senator WILLIAMS. Then, in effect, could it be said that the purpose of the International Development Association is to do on an international cooperative basis that which is now being done unilaterally under the Development Loan Fund?

Mr. McCLOY. That is right.

Senator WILLIAMS. If that is true, if this is organized with its authority for \$1 billion subscribed, does that mean we should eliminate or abolish the Development Loan Fund?

Mr. McCLOY. No. I do not know how the objectives of the Development Loan Fund might be changed. They may be modified as a result of our participation in the IDA, but I do think that there are situations where you have a reason or rationale for a national bilateral arrangement just as we have an Export-Import Bank vis-a-vis the World Bank. I think that there may be situations where the United States would want to intervene with a so-called soft loan bilaterally.

Senator WILLIAMS. Do we not have that authority under about eight different public laws other than the Development Loan Fund already?

Mr. McCLOY. I think you have, as I say, a proliferation of agencies, and I think that there is need for coordination in the national field.

DRAPER COMMITTEE SUGGESTIONS IN REORGANIZATION OF LENDING AGENCIES

Senator WILLIAMS. I was very much interested in the report of the Draper committee, of which you were a member, which criticized the fact that we had so many international lending agencies and authority and recommended a consolidation. And yet this is a new one. I was wondering which agencies you had in mind when you suggested we should consolidate or eliminate?

Mr. McCLOY. I think we did not talk so much about the international agencies as we did the national agencies.

Senator WILLIAMS. All right. Then which of the national agencies should be abolished?

Mr. McCLOY. Well, I would like to refer you to that report rather than to go into that now. We were, as a result of the evidence that we took, quite convinced of the necessity for a tighter coordination

of the policies than now exists. I do not know that they would say they would eliminate any one, but I think that they would wish a much better control than we now have of the various agencies.

PROCEDURES FOR SELECTION OF DIRECTORS

Senator WILLIAMS. The proposed membership of this new agency is outlined on page 50 of the report. Are these the identical members as are presently members of the International Bank?

Mr. McCLOY. Yes.

Senator WILLIAMS. And the same direct proportion?

Mr. McCLOY. Yes.

Senator WILLIAMS. In the International Bank, their actual contributions, however, must be in hard currencies?

Mr. McCLOY. Well, yes. The basis upon which their contributions are made, of course, are spelled out in the articles.

Senator WILLIAMS. That is hard currency, and this provides that they would make this contribution in soft currencies?

Mr. McCLOY. Yes. To a degree. There is a percentage——

Senator WILLIAMS. Ninety percent of it is soft and 10 percent of it in hard currencies?

Mr. McCLOY. Yes, 10 percent has to be hard.

Senator WILLIAMS. Is that correct, as you understand it?

Mr. McCLOY. Yes.

Senator WILLIAMS. Now, in establishing the voting rights of the membership in the proposed development agency, do they elect the Directors with those voting rights?

Mr. McCLOY. Yes.

Senator WILLIAMS. The member joins it, and gains so many voting rights in joining?

Mr. McCLOY. Yes.

Senator WILLIAMS. What does he vote on?

Mr. McCLOY. Well, he will vote on the loans.

Senator WILLIAMS. On the loans only?

STATEMENT OF T. GRAYDON UPTON, ASSISTANT SECRETARY OF THE TREASURY—Resumed

Mr. UPTON. The directors vote on loans and such matters as are put up to them.

Mr. McCLOY. Who elects the Directors after the IDA has become a part of the Bank?

Mr. UPTON. Well, it is assumed that the same Directors will serve the same countries. The Executive Directors are appointed by the country.

Senator GREEN. I think it would be better all around if Mr. Upton came up and sat by you.

Mr. McCLOY. Good. This is a detail of the charter. I do not know just how the new Directors are to be elected.

Senator WILLIAMS. That is what my question is getting down to. Is it essential under this agreement, if approved, that the Directors of the IDA must in all circumstances be identical and the same Directors as those of the International Bank; is that mandatory?

Mr. UPTON. It is not mandatory that they be identical in number because it is possible that all of the countries that are members of the International Bank will not join the IDA, and if this were true, it could mean a somewhat smaller number of Directors and somewhat different voting arrangements in IDA than in the Bank.

If, on the other hand, all of them do join, there would be the same number and voting arrangements.

Senator WILLIAMS. But if they do not join, they will not have to be the same Directors, is that true?

Mr. UPTON. Not the same number; that is correct.

POSSIBILITY OF DUAL DIRECTORSHIP RAISED

Senator WILLIAMS. Then assuming that they all did not join, would you not have it possible that you would have a dual membership of dual Directors? Are you sure these agencies are going to be as closely related if you can have a dual directorship under this association?

Mr. UPTON. I think it is reasonably foreseeable that sufficient countries will join so there would not be any significant difference in the number of the Executive Directors.

Senator WILLIAMS. Is there anything in this agreement that would prevent it from happening?

Mr. UPTON. No, there is not.

Senator WILLIAMS. To have a dual directorship?

Mr. UPTON. No, there is not, because this is a separate institution which has to be joined separately, and the fact that certain countries might not join might lead to the situation to which you referred.

(The following material was later furnished to clarify the question of dual directorship:)

Article VI, section 4(b) of the articles of agreement provides as follows:

"The Executive Directors of the Association shall be composed *ex officio* of each Executive Director of the Bank who shall have been (i) appointed by a member of the Bank which is also a member of the Association, or (ii) elected in an election in which the votes of at least one member of the Bank which is also a member of the Association shall have counted toward his election. The alternate to each such Executive Director of the Bank shall *ex officio* be an Alternate Director of the Association. Any Director shall cease to hold office if the member by which he was appointed, or if all the members whose votes counted toward his election, shall cease to be members of the Association."

So it would not be possible for any person who is not an Executive Director of the International Bank to sit as an Executive Director of the IDA. This provision, as well as the provision that the same person serve as President and Chairman of the Board of both institutions, was designed to assure maximum coordination of the activities of IDA with the IBRD.

In the event of a smaller membership in IDA than in the Bank, there would be two possibilities: First, that IDA's Board of Directors could consist of a smaller group of Bank Directors than the full membership of the Bank Board, because some Bank Directors would represent only countries which were not IDA members and thus would not be IDA Directors; or second, that IDA's Board could consist of all of the IBRD Directors, but several Directors would represent and cast the votes of fewer countries in IDA than they do in the IBRD.

It should be noted that a Director representing, say, five countries in the International Bank, of which only one country has joined IDA, would cast the votes of that one country only in the IDA Board.

In no sense could there be a "dual directorship," if that term means different personnel representing the same countries in the respective Boards of Directors of the two institutions. There could be dual directorship in the sense that a Director might cast a different number of votes in IDA than the same person is entitled to cast in the IBRD.

Senator WILLIAMS. In the International Bank the voting rights, as I understand it, are in direct proportion to the contributions of the respective countries; is that correct?

Mr. UPTON. That is correct, except for one minor aspect, and that is that each country is given a small number of votes for membership. That tends to distort the exact relationship by a small percentage. Otherwise, your statement is correct.

Senator WILLIAMS. Is that true under both the International Bank and under this International Development Association?

Mr. UPTON. That is correct.

Senator WILLIAMS. And that distortion would be carried through under both agencies in direct proportions; is that correct?

Mr. UPTON. That is correct.

CURRENCY CONTRIBUTIONS TO THE INTERNATIONAL BANK

Senator WILLIAMS. However, the International Bank is all hard-currency contributions; is that correct?

Mr. UPTON. No, sir. Let me clarify the contributions to the International Bank. Two percent of each country's contribution was made in gold or in dollars; 18 percent of each country's contribution was made in its own currency to be converted or to be used subsequently in accordance with an agreement with the Bank; and 80 percent of its contribution was in the form of a guarantee.

So that actually only 2 percent had to be given by each country in gold or dollars, with an additional 18 percent in its own currency, the use of which would be subsequently negotiated with the Bank.

Senator WILLIAMS. But there were certain guarantees that carried with that 18 percent that are not present in this 90-percent contribution arranged for here; is that not the case?

Mr. UPTON. No. I think you can compare the 90 percent pretty closely, at least for the underdeveloped countries, with the 18 percent.

Senator WILLIAMS. You can compare it, but are they the same?

Mr. UPTON. In other words, in each case, to use the 90 percent, and I am speaking now for the underdeveloped countries, to use the 90 percent or to use the 18 percent would require negotiation of the bank with those countries, except for certain very limited uses.

Senator WILLIAMS. I understand you could assume that in the process of these negotiations in order to come out with the same answer. But my question is: Is there anything in the agreement which says you must come out with the same answer?

Mr. UPTON. With respect to the 90 percent and the 18 percent?

Senator WILLIAMS. Yes.

Mr. UPTON. There is a very similar pattern expected of it and similar limitations, but there is no decision that you will come out with exactly the same answer.

Senator WILLIAMS. I understand the expectation, but I am just speaking of the provisions, if it is approved. As I understand it, there is nothing which would make that answer come out?

Mr. UPTON. There is nothing which by the charter itself would make an identical outcome.

VOTING POWERS DISCUSSED

Senator WILLIAMS. In this setup, as I glance at it here hurriedly, each country is allowed one vote for each \$5,000 of its contribution, whether that contribution be in hard currency or soft.

Mr. UPTON. That is correct.

Senator WILLIAMS. And in addition to that, there is a \$500 bonus per country.

Mr. UPTON. 500 votes.

Senator WILLIAMS. 500 votes, I mean, for each country.

Would not the mathematics of this setup be as follows: Those countries under part I would contribute their \$763 million, which would be hard currencies or convertible into gold. On the other hand, of the \$236 million contributed by the 51 countries under part II, there would only be \$23.6 million which would be convertible into gold. Is that correct?

Mr. UPTON. That is correct.

Senator WILLIAMS. The net effect of it would be the United States would be providing 41 percent of the gold and we would have 27½ percent of the vote; is that right?

Mr. UPTON. That is correct. The voting power runs equally to soft currencies as to hard currencies.

Senator WILLIAMS. Whereas under the International Bank we contribute 32 percent of the hard currencies and we have approximately 30 percent of the voting power; is that not true? The 2-percent differential being by this extra contribution to the countries.

Therefore, on this particular phase of it, we lose about 12 or 14 percent in voting power under this agency that we have in the International Bank, do we not, as compared to our contribution of gold?

Mr. UPTON. I would like to give some thought to that, Senator, but I am under the impression we have not lost any voting power in conjunction with the—

Senator WILLIAMS. I am speaking of it from the standpoint of our contributions measured in hard currencies. We are proceeding on the premise that the contributions of the soft currencies do not really represent usable contributions. And confining this to a comparison of the hard currencies contributed under the International Bank and the hard currencies or gold contributed to IDA, we do lose voting power?

Mr. UPTON. Well, the reason I am hesitating to give you a specific answer is that in the International Bank our contributions of gold and hard currencies were immediately 2 percent plus our 18 percent, whereas that of the other countries was immediately 2 percent but since that time they have made their 18 percent in many cases convertible and the equivalent of ours, but this goes on over a period of time.

So without some research, I would be unable to determine exactly what our voting percentage is in the World Bank based exclusively on the contributions made in convertible currencies or gold by all of the countries.

Senator WILLIAMS. But I am considering not only the contributions made to the International Bank but also the guarantees which are made. Our guarantees for payments on International Bank loans are guarantees to be paid in hard currencies; is that not true?

Mr. UPTON. That is correct.

Senator WILLIAMS. So you cannot just stop at the 2 percent and the 18 percent. We have got several billion dollars in guarantees back of that, which conceivably the Bank can ask us to put up and it must be in hard currencies or gold.

Mr. UPTON. That is correct; but we must not forget that there are also the other industrial countries whose currencies are extremely strong today, guaranteed, and also could be proportions of that guarantee.

Senator WILLIAMS. That is true of the International Bank. But what I am pointing out is when you move over into the IDA situation, that would not be true, because the 51 countries would only be obligated to their 10 percent of their contributions in hard currencies and 90 percent would be in soft?

Mr. UPTON. The group II countries.

Senator WILLIAMS. Yes. Is that not true?

Mr. UPTON. That is correct. But I repeat, Senator, that it would take a detailed arithmetical calculation to come up to a conclusion on this voting power, because of the 18-percent variation.

In other words, many of the countries have made that 18 percent fully available, many have made it restrictively available, and some have not made it available at all.

VOTING POWER IN RELATION TO GOLD CONTRIBUTIONS

Senator WILLIAMS. But to get back to the IDA in terms of the voting power, there would be about 234,000 votes if all of the members joined, if everybody pays up? You are putting a billion dollars in and you get 1 vote for each \$5,000; that would be 200,000 votes.

Mr. UPTON. That is correct; 234,000 votes.

Senator WILLIAMS. 234,000 votes in the total amount. Of that amount, the United States would get 64,558 votes; is that not true?

Mr. UPTON. Yes.

Senator WILLIAMS. And we put up 41 percent of the gold or hard currency?

Mr. UPTON. That is correct.

Senator WILLIAMS. And we would have 27½ percent, that may not be exact, of voting power. But moving down to the part II countries, the 51 countries would contribute \$23,693,000 in gold—is that correct—10 percent of it would be in gold or hard currency?

Mr. UPTON. That is correct.

Senator WILLIAMS. And that is equivalent to 3 percent of the gold?

Mr. UPTON. That is correct.

Senator WILLIAMS. And the combined voting power of those 51 countries would be 71,886 votes, or about 31 percent of the vote, with 3 percent of the gold. Is that correct?

Mr. UPTON. Thirty-one percent of the vote; that is right.

Senator WILLIAMS. They would have 31 percent of the vote with 3 percent of the gold, whereas the United States would put up 41 percent of the gold and we would have 27 percent of the vote; is that correct?

Mr. UPTON. That is correct. But I would like to add this: that there is a very important question here of sensitivity and relationships with other countries, that they consider that they have put up a cur-

rency, i.e., their own currency, which is just as difficult for them to raise through their own internal processes as it is for us to make available our own currency.

Senator WILLIAMS. I am not questioning the merits, but just pointing out the mathematics.

Mr. UPTON. Yes.

Senator WILLIAMS. There was much made, as I understood it, of the voting relationship and control of this agency. It would be held by the countries putting up the money, and it would be more or less in proportion to that which is presently the vote in the International Bank. That is not true, is it?

Mr. UPTON. Well, I think that the reason we say this—

Senator WILLIAMS. I would like for you to answer the question. Am I not correct that we do lose voting power under this IDA that we have under the International Bank; we lose control of part of that which we put in?

Mr. UPTON. Not if we consider all currencies together in the IDA as we did in the International Bank voting power. If we consider them separately and just attached your voting power to your gold and currencies, I would have to give you that answer later because I do not have that calculation.

Senator WILLIAMS. That is what we are attaching. We are moving over, considering soft currencies, are we not?

AUTHORIZATION TO PUT EXISTING HOLDINGS OF INTERNATIONAL CURRENCIES UNDER NEW AGENCY

Another question: Part of the purposes of this bill, running parallel to the agreement, as I understand them, is to authorize us to put up some of our existing holdings of international currencies that have been accumulated under various programs and turn them over to this agency; is that true?

Mr. UPTON. There is a provision for that.

Senator WILLIAMS. It is the purpose and intent to turn some of these currencies over to this agency?

Mr. UPTON. That is correct.

Senator WILLIAMS. Now, do we get any voting credit for these currencies?

Mr. UPTON. No; we do not.

Senator WILLIAMS. Then nonvoting power?

Mr. UPTON. Yes.

Senator WILLIAMS. And we lose control of them when we put them in this pocket?

Mr. UPTON. We provide for the control of the loaning purposes by the IDA.

Senator WILLIAMS. We have, as I understand it, about \$1.5 billion in so-called soft currencies on hand now; is that correct?

Mr. UPTON. I think it is slightly larger figure.

Senator WILLIAMS. \$1.5 billion to \$2 billion; is that correct?

Mr. UPTON. About \$2 billion.

Senator WILLIAMS. \$2 billion. Right.

Now, assuming that we turn that over to the IDA, and they have loaned it, that would be turned over to them for the purpose of making loans in the respective countries, would it not?

Mr. UPTON. Well, Senator, may I question your assumption? They may only be turned over to IDA if there is an agreement on the part of the country whose currency is concerned——

Senator WILLIAMS. That is correct.

Mr. UPTON. And if IDA sees a use for that, and is in agreement with the United States.

Now, we cannot foresee the amount that might be turned over to IDA, but undoubtedly it would be only a modest amount.

INTEREST ON ACCRUED CURRENCIES

Senator WILLIAMS. Well, to whatever extent it would be, I understand it would have to be with the approval of the country. But assuming that the country gives that approval, and I cannot conceive of IDA turning it down, whom would it be loaned to, who would collect the interest on this? Would the interest accruing on these currencies go to IDA then as an additional earning power, or would it be returned to the United States?

Mr. UPTON. Well, that would depend upon the terms and conditions under which the individual amounts were turned over to IDA.

Senator WILLIAMS. What are your intentions?

Mr. UPTON. We intend to deal with each one of these in an individual negotiation. I think that if one might speak generally, one might say that one would expect that these would be turned over to IDA with a minimum of restrictions on them, but there is nothing in the charter which describes this other than——

Senator WILLIAMS. That is the reason I am asking the question. I noticed that it would be your plan to turn them over to them, and allow the accumulated interest to accrue to IDA; is that correct?

Mr. UPTON. That is correct. That would be the general desire.

Senator WILLIAMS. Now, once these loans have been made and repaid, does this repayment fund become property of IDA, or would that repayment come back? Do we hold a claim to it or would we relinquish all title and claims once we turn them over?

Mr. UPTON. That would be again completely up to the arrangements which were made at the time the funds were turned over to IDA.

Senator WILLIAMS. But if we pass this bill, as far as Congress is concerned, we are through with it so far as our authority is concerned. Therefore, I would like to ask you, what are your plans on this and what do you plan to do?

REVOLVING FUNDS

Mr. UPTON. I might make one remark that would clarify this. We consider that our own local currency funds which are for development under ICA or 104(g) as basically revolving funds, in other words, they are loaned out and they will come back in due course.

Now, although at the present time they do come back to the Government, I think it has to be assumed that the only reasonable use for those in the foreseeable future would be to reloan them for further development, rather than transfer them back into dollars.

Now, the same thing presumably will take place in IDA, this will become a revolving loan fund.

Senator WILLIAMS. You are not figuring on the need for this running into perpetuity, are you, or is that the plan?

Mr. UPTON. I do not think I can possibly think that far ahead, Senator.

Senator WILLIAMS. Well, I think as an individual if you were turning over a portion of your own money to some agency, you would want to know when it was coming back and in what terms it is coming back.

Mr. UPTON. Yes, indeed.

Senator WILLIAMS. As an official of the Government, do you not think every one of us should likewise know what we are doing and have some plans in advance?

Mr. UPTON. Yes, I do.

Senator WILLIAMS. What are those plans?

Mr. UPTON. We do not have plans at the present time because the bill has not been passed and no arrangements have been made.

Senator WILLIAMS. As one who has to vote on this bill, I would like to know what your plans are before I vote on it. Do you not think Congress should have something in mind before it votes? We are dealing with a couple of billion dollars.

Mr. UPTON. May I prepare a statement for you?

Senator WILLIAMS. Yes, that would be satisfactory. Do you not think it would be appropriate to have that in the record?

Mr. UPTON. Yes, I do.

(The material submitted by Mr. Upton follows:)

Senate Resolution 264 (85th Cong., 2d sess.) suggested as one of the objectives of the International Development Association "facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs." This objective was kept in mind in the negotiation of the articles of agreement of the Association in the Executive Board of the International Bank, and, accordingly, article III, section 2(a) of the proposed articles provides for arrangements whereby one member may make available to the International Development Association supplementary resources in the currency of another member. The terms and conditions on which such resources may be made available are subject to agreement between the International Development Association and the United States, as the country providing the resources, and the transfer to the International Development Association is subject to the consent of the country whose currency is transferred.

It is the present view of the administration that, if it transfers Public Law 480 currencies to the International Development Association under this provision, it would not require the International Development Association to return these currencies to the United States, except in the event of the liquidation of the International Development Association or the withdrawal of the United States from membership. The currencies thus initially provided by the United States to the International Development Association could be used for loans principally to the country whose currency is involved in a given case. Repayments of principal would accrue to the International Development Association, and be available for further loans. In this way the International Development Association would have a revolving fund of local currencies which it could use in its operations separately or in conjunction with loans of foreign exchange. Accordingly it will be possible to program such uses in advance, and it will eliminate renegotiation on the reuse of these local currency funds with the countries concerned. Continued availability of these local currency resources should make for more effective use of them in promoting economic development.

At the present time somewhat more than half the proceeds from the sale of goods under title I of Public Law 480 is returned in the form of loans or grants, principally loans, to the foreign country which purchased the agricultural sur-

plus. It is from this portion of the future sales proceeds that it is expected that a moderate proportion may be agreed upon in future sales agreements for transfer to the International Development Association. These loans are now being made in local currencies and are being repaid in local currencies. Under existing arrangements the amounts of local currencies expected to accrue to the United States in some countries will be in excess of the amounts which can be used for U.S. Government purposes. The main use which can be made of interest and amortization payments received in these local currencies, when in excess, will be to make further loans of these currencies back to the country. Unless these currencies at some future time could be transferred into other currencies or used to meet U.S. requirements for these currencies, the United States would not, in any event, receive a dollar income from these reflows.

Generally speaking, it is our present view that similar considerations would apply to the payment of interest by the International Development Association as apply to the repayment of principal of local currencies supplied to it under these arrangements. The United States in transferring local currencies could agree with the International Development Association, however, on the disposition of net earnings on loans made with the currencies so supplied, in accordance with the articles of agreement.

It should be noted that each initial transfer of currency to the International Development Association will have to be negotiated. If the United States, because of a change in the situation at some future time wished to change the conditions on which it provided local currencies for lending by the International Development Association, it could propose different terms applicable to later transfers, subject to agreement with the International Development Association and the countries concerned.

BASIS FOR ELECTING DIRECTORS

Senator WILLIAMS. Now, assuming further that IDA is approved by the Congress, as I understand it, it becomes effective when 65 percent of the contributions have been approved; is that right?

Mr. UPTON. Yes; that is correct.

Senator WILLIAMS. Sixty-five percent of the contributions?

Mr. UPTON. Yes.

Senator WILLIAMS. Suppose in the approval of the 65 percent—and this may be a wrong supposition, but in business you have got to deal with what could happen—if the part II countries all approved and the United States approves, that is about 55.6 percent. You would only need 10 percent more of the hard currency countries to approve and this is in effect.

Now, we will assume we only get that minimum approval, and this agency begins functioning with the 65 percent. It could function with that contribution of \$650 million, could it not?

Mr. UPTON. That is correct.

Senator WILLIAMS. Now, how would you elect your directorship then? Would those contributing this \$650 million, or 65 percent, elect the directors for this agency, or would they be elected by the International Bank with the votes of the 35 percent of the membership that did not join this?

Mr. UPTON. No, they would just represent those who have contributed and are members of this organization.

Senator WILLIAMS. They would be elected only by those who have contributed?

Mr. UPTON. That is correct. Insofar as informal voting takes place in the Board of Directors, however, it is generally by a simple majority. So that you can see even a minor difference in the number of directors due to a lack of complete identity of membership would

not destroy in any way the identity of purpose when you consider that you are voting generally by a simple majority.

Senator WILLIAMS. Then, would it not be more practical to say that this agency could only come into effect when it has been approved by the Bank itself, and that by the present directors of the Bank rather than 65 percent?

Mr. UPTON. No, I do not think so, Senator. I think you have to set for any institutions a specific percentage of the total contributors and the funds that are going to have to be contributed to have it come into being. I do not think it would be appropriate for the Congress or the parliaments of other countries to leave the decision to the International Bank as to when it would come into being.

Senator WILLIAMS. I do not think so either.

Mr. UPTON. Because it would have no knowledge as to what percentage of the members of the International Bank might decide to join IDA.

Senator WILLIAMS. I just wonder if this 65 percent is realistic.

Now, carrying this supposition through that IDA is approved with a minimum of 65 percent, it is natural to assume that part II countries who only have to put up 10 percent would be able to and would subscribe to it. In that event it would be mathematically possible to have a situation where this agency would be declared fully operative with the United States having put up 73 percent of the hard money.

Mr. UPTON. Senator, it would be mathematically possible but quite unlikely.

Senator WILLIAMS. That is right.

GENERAL UNDERSTANDING AMONG MAJOR CONTRIBUTING COUNTRIES

Mr. UPTON. Because you must not overlook the fact that before negotiations were undertaken there were informal talks between Secretary Anderson and Under Secretary Dillon and others with all of the major contributing countries, and that there was a basis of general understanding reached in these talks, and that the negotiations themselves followed that pattern.

Senator WILLIAMS. There is a general understanding that they will all approve, is that correct?

Mr. UPTON. There was a general understanding they were all in agreement in principle with the setting up of such an organization. No, this does not mean that their parliaments will approve, because the people who have these conversations are not necessarily the people who take the decisions on this.

Senator WILLIAMS. I realize that, and assuming that they did not, mathematically the result could be that you would have this fund fully operative, with the United States contributing 73 percent of the total, with less than 40 percent of the voting power, and you find the part II countries contributing 5½ percent of the gold with a majority of the voting power.

Mr. UPTON. No, because if it went into effect with 65 percent, the percentage of voting power would substantially increase on the part of the United States as well as on the part of the other contributors.

Senator WILLIAMS. That is right, it would increase, but it would not increase our voting power to the point where we would have over

64,558 votes. We would not have any more. The 51 countries would have 72,886 votes, and they would have the same and you would, in effect, be transferring the voting power and the power to run this agency, using a hypothetical case, where those who would put up the least could run the agency and we who contributed 73 percent would have absolutely nothing to say about anything applying against us—could it not happen?

Mr. UPTON. Well, Senator, you have made a series of very interesting hypotheses, but I do not think in our background we have any basis at all for assuming—

Senator WILLIAMS. I agree with you, we do not, and if you do not, what is wrong with changing the figure from 65 percent to 100 percent and saying that it cannot—

Mr. UPTON. The problem is this: You must always allow a certain leeway for joining of these organizations if in effect it is going to be administratively feasible.

We have had this experience with the Inter-American Development Bank where we set a considerably higher figure and it was hardly achieved in time because of the fact that Cuba did not enter and the fact that one or two other countries had not completed their processes.

So in an effective organization, it is generally presumed reasonable to leave a certain leeway. Now, this 65 percent figure, I believe, was the same figure which was used in the establishment of the World Bank.

(The following additional information was subsequently furnished by Mr. Upton:)

The articles of agreement of the IDA, article XI, section 1, provide that the "agreement shall enter into force when it has been signed on behalf of governments whose subscriptions comprise not less than 65 percent of the total subscriptions set forth in Schedule A." Various factors were taken into account by the Executive Directors of the International Bank, who drafted the articles of agreement, in their decision to select the 65 percent figure. An important consideration was the precedent of the articles of agreement of the International Bank, which required 65 percent of the capital subscriptions for entry into force. Further, there was broad agreement on the advisability of establishing the IDA at as early a time as feasible. It was believed that a larger percentage might unduly delay the establishment of IDA due to the inevitable procedural delays on the part of some of the large number of nations which must comply with their varied internal governmental procedures before ratifying. In addition, the IDA project had had wide international acceptance in principle, and it is expected that most or all of the subscriptions will over time be provided. The coming into being of the organization should, in itself, stimulate further ratifications.

Questions have been raised, however, concerning some of the consequences which could theoretically arise if the IDA were to commence operations with minimum part I country participation.

Assuming, for the purpose of the example, participation by all 51 part II countries (23.693 percent of subscriptions) and by the United States (32.029 percent), a minimum of \$92.78 million by additional part I countries would also be necessary for the agreement to enter into force. This would be the approximate result if the other part I countries were France (or Germany), Japan, and Norway, which have combined subscriptions of \$93.27 million. These countries, together with the United States, would represent the minimum number of part I countries required for the agreement to enter into force with the minimum total initial subscriptions.

The relative subscriptions and voting power which would result from this hypothetical example would be as follows:

	Subscriptions		Voting power	
	Millions of dollars	Percent of total	Votes	Percent of total
United States.....	320.29	49.2	64,558	41.0
France, Japan, and Norway ¹	93.27	14.3	20,154	12.8
Part II (51 countries).....	236.93	36.5	72,886	46.2
Total.....	650.49	100.0	157,598	100.0

¹ It should be noted that because each member receives 500 votes in addition to 1 vote per \$5,000 of its initial subscription, the total votes of this group of part I members would vary depending upon the number of countries in the group. For example, if France were excluded from this group, sufficient subscriptions could be obtained to commence operations with membership to include Austria, Denmark, Italy, Luxembourg, Sweden, and the Union of South Africa. The combined subscriptions of these 6 countries would, with Japan and Norway, total \$93.44 million; they would receive combined votes of 22,688, representing 14.2 percent of the 160,132 total votes.

In the example illustrated by the table above, the United States would provide 49 percent of the total initial subscriptions and receive 41 percent of the total votes. The 51 part II members would provide 36 percent of total subscriptions, and they would receive 46 percent of the total votes. Regardless of the particular countries which would form the membership, the IDA could not come into existence with the majority of voting power in the hands of the part II members. Therefore, effective voting control would in every case be held by the United States and the other part I members whose position in the IDA would be parallel with that of the United States.

The example above is, of course, hypothetical and does not, especially so far as the part I countries are concerned, represent the probable membership of the IDA. We have recently been informed that two of the larger part I countries, the United Kingdom and Japan, have already commenced the legislative processes necessary for their acceptance of the articles of agreement. These countries together have initial subscriptions totalling \$164.7 million, which combined with the U.S. subscription would represent 48.5 percent of the total.

Senator WILLIAMS. But in that instance they were all hard currencies that did join, and you would have had this difference. Had you started the World Bank with only 65 percent, those that had the voting power would have retained their voting power in proportion to the amount of hard currency or gold that they put up. In this instance you can get a complete twist as a result of the part II countries having to put up only 10 percent of the gold.

Mr. UPTON. No, sir; I cannot agree with you on that. Because in the International Bank they did not all put up hard currencies. They only put up 2 percent in gold or in dollars and the other 18 percent was put up in the countries' own currencies, but with restrictions on it, and in theory, this same thing could have happened in the International Bank and we would have been putting up an even greater percentage in gold and dollars than we put up here.

Senator WILLIAMS. But those restrictions, as I understand it, had the effect of keeping their currency on a par with its valuation—they are different restrictions from what you have in here; there are no such restrictions here, is that true?

Mr. UPTON. Well, I think the chief difference was this: that in the International Bank the 18 percent applied to all members of the International Bank, and the restrictions had to be lifted by each one of them separately. We lifted ours right away.

Now, in this institution, the part I countries have automatically, you might say, not imposed any restrictions on their total 100 percent

contribution, and the restriction on the 90 percent only applies to the underdeveloped countries. So this is a rather significant difference.

OTHER INDUSTRIALIZED COUNTRIES IN A POSITION TO MAKE
THEIR CONTRIBUTIONS CONVERTIBLE

In other words, at the time the International Bank was formed, there were practically no other countries that were in a position to make all of their contributions convertible. Now the other industrialized countries of the world are in a position to make their contributions convertible and are doing so immediately by so stating that not only their 10 percent but their 90 percent will be usable immediately, and the restrictions will only apply to the 90 percent subscription of the underdeveloped countries.

Senator WILLIAMS. But you will admit that we are putting up a larger percentage of hard currency or gold under this agency proportionate to the total amount than we did in the International Bank and we would have less voting power?

Mr. UPTON. No, sir; I do not admit that. I say I could only reach a conclusion on this after a detailed arithmetical calculation.

Senator WILLIAMS. Maybe it would be better to defer questioning—

Mr. UPTON. Shall I make that research and present you with it?

Senator WILLIAMS. I wish you would, because you were agreeing with the mathematics earlier.

Mr. UPTON. I believe I am correct in saying that I have reserved my observation with respect to the International Bank because of this complexity of the 18 percent.

In other words, we have never made an effort in any of these institutions to divide the voting power of gold or dollars from the voting power of any other currency.

You have brought this up for the first time, and in order to, you might say, confirm the mathematical validity of your conclusions, I would wish to go back and actually measure this against what has taken place in the International Bank based on what has actually happened in the 18 percent.

Senator WILLIAMS. Well, I wish you would.

Mr. UPTON. I will be very happy to do that.

(The information referred to was subsequently furnished by Mr. Upton:)

The voting power of original members of the IDA, as set forth in article IV, section 3, of the articles of agreement, is generally based on the pattern of voting power in the International Bank. A small adjustment was made, however, to restore the voting power of the smaller countries which was somewhat diluted as the result of the recent capital increases in the International Bank. This largely accounts for the slightly higher proportion of votes held by the United States in the International Bank than in the IDA, as shown in table 1 (p. 81). On the assumption that all countries listed in schedule A of the articles become members of the IDA, the United States would hold 27.6 percent of the total votes. As of December 31, 1959, the United States held 31.4 percent of the total votes in the International Bank.

In the IDA the voting rights are not related to the degree of convertibility of the subscriptions; that is, no account is taken in the determination of votes of the degree to which the 90-percent portion of the subscriptions of the 51 part II members may come to be used in connection with IDA projects outside the respective member territories. This is the same principle as in the International Bank, in which the voting rights are not related to the convertibility of the sub-

scriptions of any member and, in addition, not affected even if one portion of the subscriptions has not been released to the Bank for its operations.

In the IDA, all of every member's currency must be paid in, according to a fixed schedule or as required for use; 90 percent of the subscriptions of part II members is, however, restricted to use in connection with projects within the subscriber's territory unless otherwise agreed by the member. In the IBRD, the articles of agreement require only 2 percent to be paid by each member in gold or dollars, and 18 percent to be paid in the member's own currency. Beyond the 2 percent of the original subscriptions, however, the 18-percent portion may be released as agreed upon between the member and the Bank—and it may be restricted, tied, or limited in any way. The remaining 80-percent portion of each member's subscription may be called by the Bank, pro rata among all members, in dollars or any other currency needed, only when required by the Bank to prevent default on its own obligations. No country has been called upon to pay in any currency under the 80 percent, nor do we believe any such call will be necessary. We therefore believe that the 80-percent portion should be eliminated in comparing the relative hard-currency contributions to the Bank by the member countries with their respective voting power.

Any comparison of the U.S. voting power in the two institutions as related to its portion of the hard-currency resources of the institutions must take into account the foregoing factors, and therefore no completely satisfactory comparison is possible. Some observations might be made, however, relating the U.S. voting power to (a) the gold and hard-currency resources IDA would have at the outset of its operations, i.e., ignoring the usability to IDA of its soft-currency resources; and to (b) that amount of the subscriptions of the International Bank which has been used in its loans or considered "usable" by the Bank at various times in its operations.

Under the articles of agreement of the IDA, the United States would provide 41 percent of the gold and freely convertible currencies payable by the countries listed in schedule A, and the United States would hold 28 percent of the voting power. The future relationship will, of course, depend upon total membership in the IDA and upon the use made and degree of usability of the national currency subscriptions of the part II members.

The data in table 2 (p. 81) show as of three dates the proportion of the used and usable resources of the International Bank provided by the United States. As of June 30, 1947, at the end of the first full fiscal year of the Bank's operations, the Bank's resources available from subscriptions for lending totaled \$729 million, 87 percent of which had been paid by the United States, which held 35 percent of total votes. At that time almost the only usable resources provided by all the other members were accounted for by the 2-percent portion of their subscriptions. By December 31, 1957, the U.S. proportion declined to 48 percent, mainly as the result of whole or partial "releases" by some of the other members of their 18-percent portions; the United States at that time held 29 percent of the votes. As of December 31, 1959, the United States accounted for 39 percent of these resources and held 31 percent of total votes.

Over the period of its operations, therefore, the U.S. Government payments have accounted for a progressively smaller proportion of the used and usable subscriptions in the International Bank available for lending, declining from 87 percent at the end of 1947 to 39 percent at the end of 1959. The membership has grown, and many members have come to permit the Bank to make greater and greater use of their (18 percent) subscribed capital.

The principle of weighted voting, based upon the total contributions of member governments, has good precedent in the International Monetary Fund as well as in the International Bank. We consider this to be an important principle in international institutions of this kind, and at the same time this provides the basis for a reasonable voice in management by the governments of less-developed countries.

TABLE 1.—IDA and IBRD—Comparative subscriptions and voting power

	United States	Other pt. I	Pt. II	Total
IDA: ¹				
Initial subscriptions.....million dollars..	\$320.3	\$442.8	\$236.9	\$1,000.0
Percent of total.....	32.0	44.3	23.7	100.0
Votes.....	64,558	96,556	72,886	234,000
Percent of total.....	27.6	41.3	31.1	100.0
IBRD: ²				
Subscribed capital.....million dollars..	\$6,350.0	\$8,488.6	\$3,775.8	\$18,614.4
Percent of total.....	34.1	45.6	20.3	100.0
Votes.....	63,750	88,886	50,508	203,144
Percent of total.....	31.4	43.7	24.9	100.0

¹ Assumes membership of all countries listed in schedule A.

² As of Dec. 31, 1959; the division into pt. I and pt. II countries is that provided by the IDA articles of agreement and has no significance within the IBRD.

TABLE 2.—International Bank—2 percent and 18 percent portions of subscribed capital ¹

[Data in millions of dollars unless otherwise specified]

Date	June 30, 1947 (44 mem- bers)	Dec. 31, 1957 (64 mem- bers)	Dec. 31, 1959 (68 mem- bers)
Total 2 percent portion:			
United States.....	63.5	63.5	63.5
Others.....	92.1	120.6	132.0
18 percent portion on loan or "usable": ²			
United States.....	571.5	571.5	571.5
Others.....	2.0	566.6	849.7
18 percent portion, neither on loan nor "usable":			
United States.....	0	0	0
Others.....	870.9	541.9	361.2
2 percent portion + 18 percent portion on loan or "usable":			
United States.....	635.0	635.0	635.0
Others.....	94.1	687.2	981.7
Total.....	729.1	1,322.2	1,616.7
United States as percent of total percent.....	87.1	48.0	39.3
U.S. vote as percent of total percent.....	35.1	29.3	31.4

¹ Under the terms of the articles of agreement of the International Bank, 2 percent of each member's original subscription is payable in gold or dollars; 18 percent is payable in the member's own currency, subject to specified calls by the Bank for its operations, and released for loans only with the approval of the member. In connection with the doubling of the capital as of Sept. 15, 1959, the Board of Governors decided that the 2 percent and 18 percent portions of the increased subscriptions would not be called except when required to meet the obligations of the Bank.

² Defined as including all releases of the 18-percent portion on a convertible basis to be available to the Bank during the following 5 years and all releases on a tied basis for which the Bank has a specific use in sight under existing loans.

EXAMPLE OF LIBYA

Senator WILLIAMS. Mr. McCloy, in referring earlier to some of the countries that have changed their position where they would now be able to be eligible for hard loans rather than soft loans, I think you cited Libya; is that not true?

Mr. McCLOY. Yes.

Senator WILLIAMS. I noticed Libya is still counted here, though, as a member of the soft currency group.

Mr. UPTON. That is correct.

Senator WILLIAMS. Libya, in addition, I have noticed, has two loans and is in default on one of them now.

Mr. UPTON. I think that perhaps I could clarify this question of Libya.

Senator WILLIAMS. One of them was June 28, 1957, \$1,223,752.17, on which she has paid no interest, a 3-percent loan. She paid no interest or anything on the principal.

Senator AIKEN. Will the Senator yield? Whom are they in default to?

Senator WILLIAMS. U.S. Government, mutual security program, and the loan was made by ICA loan No. X-70-1.

Mr. UPTON. What Mr. McCloy referred to was the very recent discovery of oil in Libya which is so recent that the country has not yet had any benefit or very little opportunity to benefit from the discovery economically.

Now, to continue with your question about Libya, the fact that Libya may now come into a position to service dollar loans does not mean that Libya will not need capital for development.

I also point out that it may not be paid in soft currency. It is conceivable that a country like Libya needing capital but receiving dollars each year from its natural resources could be made a loan repayable in dollars, but over a period of time. It is not contemplated by any means that all of the loans of this institution will be repayable in soft, that is, local, currencies.

Senator WILLIAMS. I understand that. I just was interested in the statement about Libya because Mr. McCloy brought it up. And I noticed that in 1957 we did make this \$3.5 million loan, or we authorized a \$3.5 million loan, of which we disbursed \$1,225,000 at 3½ percent and that was a dollar loan repayable in dollars.

Last year we approved another \$5 million loan on the basis of 3½ percent, and it was dollars loaned repayable in local currencies; so I am pointing out we are doing these things now under existing authority. We do have existing authority. That loan was made under Public Law 85-477. We have the authority, as I understand it, under 13 different sections of the law, to do that which you could do under this IDA if it was passed. Is that not true?

13 SECTIONS OF LAW AUTHORIZING LENDING

Mr. UPTON. I cannot confirm the number of sections of the law, but there are certainly certain ones, particularly 104(g) of Public Law 480, under which development loans for balanced economic purposes can be made.

Senator WILLIAMS. I was interested and I asked the Department of State for the list of various lending authorities. I have it here under the date of February 24. There are 13 different authorities that you have now under various sections of the law where we can make direct loans to individuals, many of them direct loans to countries on these soft currencies.

Mr. UPTON. This refers specifically to soft-currency loans?

Senator WILLIAMS. They are dollar loans under this, this was dollars under national——

Mr. McCLOY. All national; are they not? They are not international?

Senator WILLIAMS. All international.

Mr. UPTON. All made by us bilaterally.

Mr. McCLOY. That is what I meant by "international."

Senator WILLIAMS. I do not think so. To be honest about it, I am not sure because I have only been working on this for about 3 months and I have not been able to find all of them yet.

Mr. UPTON. I think these refer to American laws which would presumably—

Senator WILLIAMS. What I am referring to are American laws, various laws—Public Laws 329, 759, 48, 165—I will not go into all of them, but they are all listed here, 13 different ones. In this report they sent down, they list various loans made to countries under these laws. This is what I am interested in and I thought maybe Mr. McCloy had this in mind when he suggested we eliminate some of these and consolidate some of them so we know what we are doing.

Mr. McCLOY. When you asked me whether or not we did not already have this authority, I said, no, we did not, because my impression is that all those 13, if there are 13, are national rather than international, in the sense that it is American money and American authority that is involved.

Senator WILLIAMS. It is American authority that I am speaking of. I am not speaking of the World Bank.

Mr. McCLOY. This is the only time we put money or propose to put money into a strictly international organization for this purpose.

Senator WILLIAMS. I understand that.

Mr. UPTON. I might add one other thing, Senator, that may help clarify this. There is a great value, I think, in effective development use of this currency and having it available to a lending institution which is also in a position to make loans repayable in hard currency, in whole or in part, and thus tie into the same project the hard-currency end for importing goods and the soft-currency end perhaps for local expenditures.

So although this authority may exist in a number of other places, I do not think it follows that it is being used in the same way, in the same effective way that it might be used if it were tied in with an international lending body.

Senator WILLIAMS. I can see some advantages to it from an international basis, providing it has the proper safeguards. That is the reason I raise these points as to whether or not we will retain our proper voting power and control over an agency in which we may very well end up as the largest contributor. I think if you will check the mathematics of it, while I will agree they are purely hypothetical cases, you will agree they can happen.

Mr. UPTON. Except that I think my tentative conclusion is, when I check the mathematics of it, we will find that the situation existed even more in the World Bank than it does in this institution.

Senator WILLIAMS. All I can say, I was not here at the time of the World Bank, or I would have asked you the same questions. The fact that we did something once does not mean we should take the chance again. The question I want answered is whether either of us as businessmen would not safeguard against that before we take chances that it may happen?

Now, the reason that I have asked these questions—and I am somewhat concerned—

Mr. UPTON. If I might interrupt, Senator, the same situation might arise with a number of other countries since we have 27 percent of the vote and since IDA can come into existence with 65 percent. In theory, these other countries might come in without the United States coming in. Obviously, it would take a large number of them to do it, but it might have the same effect.

SPECIFIC LOANS DISCUSSED

Senator WILLIAMS. I respect that. The reason I am asking is that I notice we do have this authority. I will not mention the country—I do not think we ought to single out countries—but I have before me here one country which has had five loans at the rate of $2\frac{1}{2}$ percent from the U.S. Government. One of them was made in 1949. It was due in 1956. It was a \$67 million loan, from which we have only collected \$4.2 million principal.

And they have another one here dated September 13, 1950, which was due June 30, 1956, a \$6 million loan, upon which we have collected \$375,000 on principal.

And we have another loan which was dated June 27, 1952, due June 30, 1960, $2\frac{1}{2}$ percent dollar loan, \$22.6 million, upon which we collected \$1.7 million interest and nothing on principal.

And two other loans, one in 1957 and one in 1958, for \$30 million and \$51 million. On those we have had no interest and no principal.

This is a total of \$159 million that has been disbursed to this country on loans at an average interest rate of 3 percent. Those two loans which are payable in local currency are 4 percent dollar loans payable in local currency. It is a total of \$159 million in loans; we have collected \$14,296,000 in interest and \$4,575,000 on the principal.

But an interesting part of it is that this country holds \$1,218 million of U.S. Government bonds, drawing an average of $4\frac{1}{4}$ percent, which are giving us concern.

If this country can hold \$1,250 million of U.S. Government bonds, can they not pay some of their debts? And why should we keep carrying countries like that? That is the question that is in my mind.

Mr. UPTON. Well, Senator, I do not think I can answer that question unless I had the opportunity to study the specific case and learn more about it and just what the background of the country was and what arose that caused a situation like this, because I am not familiar at least from your description of it, with the country of which you are speaking. And even if I did know, I still would like to consider all of the factors before I gave an answer to that question.

Senator WILLIAMS. There are several countries involved there. I will not name them, but I wish you would check this and I would like to have a report, because I know the Secretary of the Treasury is expressing concern over the fact we have about \$9 billion of our short-term loans outstanding which can be called immediately, and can demand gold. Yet many of the countries which are holding these are in default with loans through the various programs we have. What I do not understand is why we just cannot pay them off in some of their own paper.

Senator AIKEN. Will the Senator yield? Are these countries you refer to in part I or part II? I notice the countries are parted in two parts instead of being classified.

LOANS TO COUNTRIES HOLDING U.S. BONDS QUESTIONED

Senator WILLIAMS. The country to which I referred is one in part I. I might say that there are several of them in there that are in similar positions, and I just wondered if there was any consideration given to that. We have another country in part I that has \$1,221 million in U.S. Government bonds with an average maturity of less than 6 months, and they are listed as drawing an average rate of interest at a little better than 4 percent, which can be called. It is a part I country. I wonder if it is not about time that some of them began helping us a little bit?

Mr. UPTON. If you will submit a list of those countries, we will be—

Senator WILLIAMS. I will call them to your attention.

Mr. UPTON. Well, the fact that you mentioned it is about time that the countries are making a greater contribution, I think comes back to the basic reason for setting up IDA. With this institution, for the first time they are making a contribution toward the financing of economic development in a way which, up to this time, was done only by the United States.

Senator WILLIAMS. This second country to which I have referred is listed as having received in 1952, a \$16.9 million loan upon which it paid us \$1,266,000 in interest, and nothing on principal. The loan is marked becoming due January 30, 1960. It is a 2½-percent loan. It has nothing at all paid on the principal, and yet we are paying 4¼ percent to this same country which has in its investment in U.S. Government bonds.

How long can we keep loaning 2½-percent money to these countries for reinvestment in our 4- or 5-percent Government bonds?

Do you think that is a matter that should be examined?

Mr. UPTON. Yes, sir; I think that we will look into it and see exactly what are the circumstances under which these countries have been in arrears on this and what steps have been taken to bring this to attention and bring it up to date.

Senator WILLIAMS. Will you furnish a report on these?

Mr. UPTON. Yes.

(The information referred to is as follows:)

The loans to which attention was directed have been reviewed. The first point I would like to make with respect to them is to clear up any misconception which may exist as to whether these loans are in default. They are not. All interest and principal which has so far become due to the United States under these loans has been paid. The reason that repayments made to date are comparatively small is that the loan agreements contained deferment periods for payment of both interest and principal. The deferment period before any principal repayments fell due ranged, in the dollar repayable loans, between 6 and 8 years.

Of the two countries involved, one received a dollar loan in 1952 and the other dollar loans in 1949, 1950, and 1952. It is these loans which bear 2½ percent interest. The subsequent loans made to one of the countries were ones made in the currency of the country itself out of a portion of the proceeds from Public Law 480 sales. In the case of these later Public Law 480 loans made in 1957 and 1958, the interest rate called for is 3 percent if repayment is made in dollars and 4 percent if repaid in foreign currency. No payments have yet fallen due on these loans in view of the deferment periods provided for in the agreements.

At the time the dollar loans referred to were made, the U.S. assistance program was primarily on a grant basis. Thus, even though a generous deferment period was allowed before repayments began to fall due, these loans nevertheless represented relatively hard terms in comparison to most U.S. aid of that period.

It might also be noted that at the time these loans were made and the dollars disbursed by the United States, the rate of interest at which the United States could borrow was much lower than at present.

We, of course, fully recognize the greatly improved financial position of the countries referred to and the fact that they have accumulated substantial dollar reserves. It is in recognition of this fact and our belief that they should now do more to assist the less-developed nations that IDA is proposed. We believe the hard-currency subscriptions to IDA of these and other countries which are in similar financial condition are an important step in this direction.

Senator WILLIAMS. I have no further questions at this time, Mr. Chairman.

Senator AIKEN. May I ask just one more question, Mr. President?

The CHAIRMAN. Yes.

PART II COUNTRY AUTHORIZED TO BORROW FROM IDA

Senator AIKEN. That is: Would a borrower in a part II country who now is in debt to the World Bank be eligible to borrow from IDA?

Mr. UPTON. Oh, yes; because, in fact, most of the part II countries have received hard loans from the World Bank, and therefore are in debt to the World Bank, and it is these countries who are expected to borrow also from IDA.

Senator AIKEN. And they can borrow?

Mr. UPTON. None of them are in default to the World Bank.

Senator AIKEN. But if they were on the verge of being in default, not quite in default, could they borrow from IDA?

Mr. UPTON. Well, I think that would be a decision to be taken by the Board of IDA as to whether or not the circumstances were such that they should receive a loan.

The CHAIRMAN. Senator Carlson.

Senator CARLSON. Just one question. Mr. Upton, I heard your testimony last Friday and I heard most of Mr. McCloy's this morning. I have one question. As I see it, there will be a possibility of using these local currencies for the IDA.

LOCAL CURRENCY USE BY ICA

Now, as I gathered from your testimony, we have about \$2 billion of local currency. What will happen to the work that is being done by the ICA through the use of these funds for very worthy projects in these countries if we give them to the IDA?

Mr. UPTON. Well, I think the answer to that is that since the giving of them to IDA requires a three-part agreement, of which the United States is a part, if we felt that our currency in that specific country was sufficiently limited and that ICA was making good use of it and continued to make good use of it, why, we would not turn that currency over to IDA.

In a number of countries we will have amounts of local currency which appear to be considerably in excess of what we can foresee any use for by ICA or by any other Government agency. But this would come into consideration in the decision of the United States as to whether making an agreement with IDA and the country whose currency was concerned should be done at that time.

Senator CARLSON. It was not your thought, then, that funds taken or local currency taken over by IDA would be replaced in the future by additional grants from this country?

Mr. UPTON. No, sir. It is our thought that any decision to turn funds over to IDA would be discussed thoroughly with these agencies with respect to their present use for them.

Senator CARLSON. Thank you very much.

The CHAIRMAN. Any other questions of either of these witnesses?

COUNTRIES MUST JOIN IDA TO BE ELIGIBLE FOR LOANS

Senator WILLIAMS. Mr. Chairman, one question just to clear this up.

Would these countries, either in part I or part II, be eligible for a loan under the International Development Association should they not join; by virtue of the fact they are members of the International Bank, would they be eligible for a loan?

Mr. UPTON. No, sir; they would not.

Senator WILLIAMS. They must join to get loans.

The CHAIRMAN. Any further questions?

Thank you very much; thank you, Mr. McCloy. You have been very helpful indeed and, Mr. Upton, thank you for coming back.

Mr. Hardwick, from the U.S. Chamber of Commerce, do you have a statement you wish to read?

Mr. HARDWICK. We have submitted a statement, and I would like to read it.

The CHAIRMAN. You may proceed.

STATEMENT OF C. CHEEVER HARDWICK, IN BEHALF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. HARDWICK. I am Cheever Hardwick, a partner in the investment banking firm of Smith, Barney & Co. I am also a member of the finance committee of the national chamber and appear today to present the views of the Chamber of Commerce of the United States on the proposed International Development Association.

I have with me Mr. Don Lester Waage, assistant manager for finance, and secretary of the finance committee, of the Chamber of Commerce of the United States.

The Chamber of Commerce of the United States recommends that the Committee on Foreign Relations approve S. 3074, which provides for the participation of the United States in its proposed association.

TWO FUNDAMENTAL PROVISIONS

There are two fundamental provisions contained in this bill that we consider to be of vital importance, namely:

1. That the International Development Association be established as an affiliate of the International Bank for Reconstruction and Development (World Bank); and

2. That its membership be the same as that of the World Bank.

Within the framework of these provisions, the national chamber believes that the IDA will provide a means by which the United States and other nations of economic and financial strength can effectively cooperate in meeting some of the more pressing and deserving capital requirements of underdeveloped nations.

FLEXIBLE BASIS NEEDED FOR FINANCIAL ASSISTANCE

It has become increasingly apparent in recent years that the needs for development financing in many underdeveloped countries far exceed the moneys that can be provided for such purposes by existing national or international institutions upon so-called hard-loan terms—and that failure to make available some additional financial assistance on a more flexible basis may well result in serious economic and political consequences unfavorable to the free world.

MULTILATERAL APPROACH URGED

We believe that recognition must be given to the fact that the burden of international economic development that has been placed upon the United States has become unduly great and that other industrialized nations of sound economy—such as Belgium, Germany, Great Britain, the Netherlands and Japan, to name a few—must also advance their resources on a multilateral basis under conditions which will minimize the impact upon the balance of payments of the borrowers.

This multilateral approach through the IDA will stimulate a more active role on the part of other industrialized nations and will also utilize the experience and existing facilities of the World Bank, with its highly favorable record of competence in international finance.

The achievement of greater economic progress in the less-developed areas of the world is vital to the United States, and the national chamber has long favored a program of economic and technical assistance to friendly countries of the free world. U.S. capital, private and public, has played a significant role in improving the utilization of resources in these areas, thereby promoting economic conditions of mutual benefit.

However, the capital requirements in some of those less-developed areas substantially exceed the lendable funds that are available upon conventional terms. Many of the economically stronger countries have attained positions which enable them to supply a more important portion of those requirements.

The establishment of the IDA would constitute a concrete acceptance of the principle that a new means must be found to further justifiable development financing of an international and multilateral nature; that such additional financing will not exceed the capacity of debtor countries to repay; and that other economically strong countries stand ready to share with the United States the burden that will be involved.

SUPPORT FOR INCREASING THE RESOURCES OF THE IMF

On March 5, 1959, the national chamber filed a statement with subcommittee No. 1 of the House Committee on Banking and Currency in support of legislation involving increases in the resources of the International Monetary Fund and the World Bank. With respect to the Bank, the national chamber stated:

This institution has made a major contribution to the growth of free world economies by encouraging and financing of sound investment projects. It has helped many countries in the free world to achieve a foundation for continued and balanced growth.

The Chamber also pointed out at that time the important advantages of an international approach in assisting economic development in the less-developed areas.

In making its resources available on flexible terms, adapted to the circumstances surrounding individual projects in particular countries, IDA financing of necessity would depart from strictly conventional lending principles.

INCREASED OPPORTUNITIES FOR PRIVATE INVESTMENT EXPECTED

Such financing might be expected to result in increased opportunities for private commerce and investment in the areas involved. Safeguards are therefore necessary to assure that the IDA will not compete with private capital which might be available for such purposes or otherwise infringe upon presently existing avenues to such financing.

AFFILIATION WITH WORLD BANK

We believe that those safeguards are provided by specific language contained in the IDA articles of agreement and also through the nature of the organizational framework of the proposed association as an affiliate of the World Bank. This affiliation would assure that the administration of IDA would be governed by the sound banking judgment that has characterized the World Bank's operations in the past and also that IDA will benefit from the experience and highly trained staff of the World Bank in the furtherance of its objectives.

In substance, it would appear that the IDA will result in a broadening of the scope of the World Bank and an important increase in its effectiveness.

The need for a new multilateral medium to undertake the functions contemplated by creation of the IDA is not an entirely new concept in the United States. The Senate, by means of Resolution 264 of July 23, 1958, made a notable contribution to the recognition and advancement of that concept. The President and various members of his administration contributed to its broad international acceptance and initiated the discussions which resulted in the preparation of the articles of agreement.

In the light of present international economic and political conditions and the widely recognized need for additional assistance to the underdeveloped areas of the free world, it is the opinion of the national chamber that the IDA affords the most practicable means of providing such assistance on a multilateral basis.

We therefore urge the early enactment of S. 3074.

The CHAIRMAN. Thank you very much, Mr. Hardwick.

Senator Aiken, any questions.

Senator AIKEN. No questions.

The CHAIRMAN. Senator Williams, any questions?

Senator WILLIAMS. No questions.

The CHAIRMAN. Mr. Hardwick, I am very pleased that the chamber has taken this view. It is very helpful to have these views from the chamber of commerce, which is representative, really, of all of our commercial interests.

Thank you very much for coming here before the committee.

Mr. HARDWICK. Thank you, sir.

The CHAIRMAN. The next witness is Mr. Bert Seidman, of the AFL-CIO.

Mr. Seidman, we have had you before, I believe, on some occasions, and we are very pleased to have you back again.

STATEMENT OF BERT SEIDMAN, ECONOMIST, RESEARCH DEPARTMENT, AMERICAN FEDERATION OF LABOR & CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. SEIDMAN. Thank you very much, Mr. Chairman.

My name is Bert Seidman. I am an economist in the research department of the AFL-CIO, and I am appearing before this committee this morning on behalf of the American Federation of Labor & Congress of Industrial Organizations to support the proposal for authorizing United States participation in the International Development Association contained in S. 3074 introduced by Senator Fulbright, the distinguished chairman of this committee.

The AFL-CIO particularly welcomes the establishment of the IDA because we have long favored efforts to increase economic assistance to underdeveloped countries through multilateral agencies. This was reaffirmed most recently at our convention which met last September in our resolution on international policy.

I have attached to my statement an excerpt from the resolution dealing with foreign economic policy, and I respectfully request that this attachment be made a part of the record of this hearing.

The CHAIRMAN. Yes, it shall be done.

Mr. SEIDMAN. The convention resolution to which I have referred pointed out that for some time to come the largest part of economic assistance would have to continue to be extended through U.S. agencies, but urged that this assistance should be channeled increasingly through international and regional organizations, and the resolution specifically called for effective U.S. financial support for and participation in the proposed IDA.

The resolution also urged that the assistance provided by the IDA should take the form of low-interest loans, repayable in local currencies.

BIPARTISAN SUPPORT FOR IDA CITED

Mr. Chairman, the AFL-CIO particularly welcomes the bipartisan support which thus far has been given to the IDA here in the United States. We are particularly gratified by the fact that while it was a Democratic Member of the Senate who first put forth the idea, it has been promoted vigorously, both here in our own country and in international bodies, by the Republican President and members of his Cabinet.

The AFL-CIO has been glad to be a supporter of this proposal from the very beginning.

LIMITED FUNCTIONS OF PRESENT LENDING INSTITUTIONS

A year ago I had the privilege of appearing before this committee in connection with the then proposed authorization for the International Monetary Fund and the World Bank, and at that time we stated that while those agencies have played a very important role

in assisting economic development, they have had, nevertheless, relatively limited functions which ought to be supplemented by other programs.

At that time we specifically called attention to the fact that the World Bank makes only what may be called bankable loans, and that the extent to which countries could obtain such loans is determined largely by their ability to repay them, and, in turn, particularly by the ability of the country to earn foreign exchange.

For this reason, the World Bank has not been able to make loans for certain very important types of social capital projects such as schools, hospitals, and other types of projects including highways where a country did not have the general ability to repay in hard currencies.

We think that the proposed IDA will help to fill that gap because it will make loans under less stringent conditions than the World Bank for a variety of products in these less developed countries which will make an important contribution to the basic economic growth of these countries.

Yet since the IDA will be administered by the World Bank, its activities will be closely coordinated with those of the older agency.

U.S. SHARE OF INITIAL CAPITALIZATION

Since other witnesses have covered some of the main features of the IDA, I will not go into them in detail. The initial capitalization proposed is \$1 billion for a 5-year period of which the United States' share would be approximately \$320 million, and a somewhat larger amount to be contributed by other economically stronger nations.

On this basis the administration has requested only about \$73 million for fiscal 1961 and about \$61 million for each of the subsequent 4 years. And as I shall indicate in a moment, we think these amounts are too restrictive in view of the job that needs to be done.

The IDA will make available loans on flexible terms which are especially suitable to meet the requirements and capacities of less-developed countries. They will be made for any sound purposes which constitute an integral part of a less-developed country's overall economic development program.

MAIN FEATURES OF THE IDA

As we understand it, the IDA will make loans including some combination of the following features: Low interest rates, long maturity periods, grace period before repayment must begin, and repayment in local currencies.

During the discussion on the IDA at the meeting of the Board of Governors of the World Bank last October, some fears were expressed that the influence of individuals with the traditional bankers' point of view in the World Bank might outweigh in the councils of that organization the views of those who recognize the need for flexible nonbankable loans for economic development in the less-developed countries.

FLEXIBLE LENDING POLICY SUPPORTED

We recognize that as of now the organizers of the IDA have fully subscribed to the principle of a flexible lending policy, and we sincerely hope that they will not deviate from that policy. Because such a change, in our opinion, would smash the hopes of those who look to IDA for meaningful support for economic advances in the less-developed countries.

I would emphasize at this point, Mr. Chairman, that organized labor in the United States will continue to endorse U.S. participation in and support for the IDA only as long as the IDA maintains policies fully attuned to the needs and capacities of the less-developed countries. Indeed, we would urge this committee in its report to the Congress to recommend the continued U.S. support for IDA be made conditional upon its maintaining a flexible lending policy and that U.S. support be withdrawn if the IDA should adopt a hard bankable loan policy.

As I have already indicated, the articles of agreement of the IDA would permit financing for any project which will make an important contribution to the development of the area or areas concerned whether or not the project is revenue-producing or directly productive. These projects may yield no immediate monetary returns, but we think they will in time pay for themselves many times over by their invaluable contribution to the expansion of the entire economy in these areas.

ADVANTAGES OF THE MULTILATERAL APPROACH

Mr. Chairman, the AFL-CIO has long favored the idea of channeling an increasing proportion of our economic assistance to the less-developed lands through multilateral agencies. We believe that for some time to come the United States, through the technical cooperation program and the Development Loan Fund, should considerably expand its bilateral economic assistance effort until the IDA and other multilateral organizations are prepared to effectively take over the major responsibility, but we should work toward the goal of channeling increasing amounts through the multilateral agencies because we think there are some very important benefits to be derived from the multilateral approach to economic assistance.

Perhaps the most important is in the IDA we will have a genuine cooperative undertaking of 68 free world nations, both developed and less developed, in which they can pool both their financial and technical resources.

From the United States point of view, this is, of course, important. As it has been stressed by earlier witnesses this morning, it means we alone will not be shouldering the entire financial burden. But there are other gains in this approach. One of the most important is that the skills and talents of individuals in all member countries will be available to advance the program as rapidly as possible.

It also means that a multilateral agency can state its recommendations for effectively and efficiently carrying out the programs it wants to finance in more stronger terms than can a single lending country.

Still another advantage is that as we know from our own experience, even the best of motives of lending countries are sometimes questioned by people in borrowing countries.

They may suspect that the lending country is motivated principally by political considerations or by its own narrow economic interests. The Soviet Union and its satellites have not hesitated to heap coals on this smouldering fire of possible suspicion, although their own activities in this field, I must hasten to add, are, in the main, directed toward their political interests.

But an international agency such as IDA in which virtually all free world nations participate will not be as vulnerable to such attacks.

There should be acceptance of its good faith and this is likely to be a tremendous asset in the cooperative drive to accelerate the pace of economic advances.

PROPOSED SCOPE OF IDA SHOULD BE ENLARGED

The foregoing comments should certainly make clear our wholehearted support for U.S. participation in the IDA. Our only concern is that the resources which are to be made available to IDA may be entirely too small to accomplish more than a small fraction of the job to be done.

Mr. Chairman, we know that there are grave dangers to world freedom when countries as yet uncommitted accept Soviet assistance, as some of them have been doing increasingly during the recent period.

We know that the Soviet Union wants to make them satellites under the Soviet yoke. But the fact remains, since the Soviet Union has entered the foreign aid picture in a big way, we can ignore this development only at our own peril. We must recognize that unless the more fortunate industrially advanced nations of the free world, and especially the United States, which is still by far the richest, are prepared to make available to less developed countries economic assistance on a scale commensurate with their minimum needs, they will reluctantly, but inevitably, turn to the Soviet Union.

In our opinion, this is an important reason for increasing the capitalization of the IDA substantially above the presently contemplated level.

Experts have estimated that if \$3 billion a year additional could be made available to less developed countries, this would make possible a growth rate in the 1960's in such countries twice that of the 1950's.

Actually, in 100 countries of the non-Communist world where the average income is \$100, this would mean only that we would have an average annual increase of \$2 a year in the 1960's, instead of \$1 a year in the 1950's.

Obviously, this would by no means bring on the millennium, but it might, in some of these countries, permit breakthroughs toward the ultimate goal of putting their economies on a self-sustaining basis.

It would also improve the prospects for raising now intolerably inadequate living standards.

In order to accomplish this objective, we feel that the \$70 million or so a year that the administration is prepared to allocate to the IDA during the next 5 years is not adequate. It amounts to only about one one-hundredth of 1 percent of our gross national product, and only one-fourth of 1 percent of the annual increase of gross national product we should easily attain.

And roughly the same proportions hold true for the other countries expected to provide the bulk of the funds for the IDA.

Surely the industrial nations of the free world, and especially the United States, can afford to devote more than the puny resources thus far allocated to assure real progress in the drive to eliminate hunger, want, illiteracy, and sickness in the uncommitted less developed countries.

We therefore strongly urge that this committee by all means recommend authorization for U.S. participation in IDA in accordance with the present proposal. But we also express the hope that you will recommend that at the earliest opportunity the United States take the lead in expanding the resources of the IDA so that it will be assured of at least \$1 billion a year.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you very much, Mr. Seidman. That is a very strong statement, and we are very pleased to have the views of the AFL-CIO on this legislation.

(The prepared statement submitted by Mr. Seidman is as follows:)

PREPARED STATEMENT BY BERT SEIDMAN, ECONOMIST, RESEARCH DEPARTMENT,
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

I appreciate the opportunity to appear before this committee on behalf of the American Federation of Labor and Congress of Industrial Organizations to support the proposal for authorizing U.S. participation in the International Development Association contained in S. 3074, introduced by Senator Fulbright, the distinguished chairman of this committee.

Let me state at the outset, Mr. Chairman, that the AFL-CIO particularly welcomes the establishment of the International Development Association because we have long favored efforts to increase economic assistance to the less developed countries through multilateral agencies. This position was reaffirmed at the most recent AFL-CIO Convention which met last September. I have attached to my testimony that part of the convention resolution on international policy which relates to foreign economic policy. I respectfully request that this attachment be made a part of the record of this hearing.

In the convention resolution to which I have referred, the AFL-CIO frankly stated that for some time to come, the largest part of economic assistance would have to continue to be extended through U.S. agencies. But the resolution urged that our foreign economic efforts should increasingly be channeled through international and regional organizations. Such assistance should be on a sufficient scale and on a long-term basis. The convention resolution specifically called for effective U.S. financial support for and participation in the proposed International Development Association as an essential part of an expanded, long-term and fully effective program of economic and technical assistance to the industrially less developed nations. Moreover, the resolution urged that the assistance provided by the IDA should take the form of low-interest loans repayable in local currencies.

Before discussing some of the specific aspects of the IDA proposal, I should like to mention one general consideration which we find most encouraging. I refer to the bipartisan support which has been given to the IDA here in the United States. We in the labor movement are proud of the leadership role the United States has had in the development of this challenging new concept for aiding worldwide economic progress. We are particularly gratified by the fact that leading spokesmen of both our political parties have been in the forefront of this effort. It was a Democratic member of the Senate who first put forth the idea. It has been promoted vigorously both in our own country and in the appropriate international bodies by a Republican President and the members of his Cabinet. The AFL-CIO is glad to have been a supporter of this proposal from the very beginning.

NEED FOR THE INTERNATIONAL DEVELOPMENT ASSOCIATION

I had the privilege of appearing before this committee just 1 year ago to support the authorization you were then considering for necessary funds for the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank). At that time I stated that while these two agencies have undoubtedly played a very important role in assisting economic development, they nevertheless have relatively limited functions which must be supplemented by other programs to aid economic growth in the less developed countries. If I may, I should like to restate a brief portion of what I then said:

"The IBRD plays a direct role in economic development but only in a relatively restricted area. The IBRD makes only what may be called bankable loans. These are at the going interest rate for customary repayment periods and repayable in hard currencies.

"The extent to which countries may obtain IBRD loans is determined by their ability to repay such loans and this, in turn, is determined by the type of projects for which the loan is sought—particularly the amount of revenue they are likely to produce—and the overall ability of the country to earn foreign exchange. As already indicated, the projects financed by IBRD loans do not include 'social capital' projects such as schools and hospitals, nor do they ordinarily include technical assistance, except incidentally. They do not even ordinarily include such projects as highways which do not immediately produce revenue, particularly where a country does not have general ability to repay in hard currencies. Yet, projects of the types that are not covered by IBRD loans are vital not only to improve the living conditions of the people of the underdeveloped countries but also for economic growth itself."

The proposed IDA will help to fill that gap. It will make loans under less stringent conditions than the IBRD for a variety of projects in less developed countries. These projects will make an important contribution to basic economic growth in the less developed countries, but they are projects which are not and, for the most part, cannot be assisted by the IBRD. Yet, since the IDA will be administered by the IBRD, its activities will be very closely coordinated with those of the older agency.

MAIN FEATURES OF THE IDA

The initial capitalization proposed for the IDA is \$1 billion. The U.S. share of this amount would be approximately \$320 million, while the contributions of the other economically stronger nations would be approximately \$443 million. All of these funds would be in convertible currencies. The remaining \$237 million would be subscribed by the less developed countries themselves and 10 percent of this amount would be in convertible currencies.

The proposal in its present form specifies that these amounts are intended for a 5-year period. On that basis the administration has requested only \$73,666,700 for fiscal 1961 and \$61,655,000 for each of the subsequent 4 years. As I shall indicate in a moment, we regard these amounts as being much too restrictive in view of the size and scope of the job that urgently needs to be done.

The IDA will make available loans on flexible terms which are especially suitable to meet the requirements and capacities of less developed countries. It is true that the IBRD and the Export-Import Bank have assisted industrialization in the less developed countries. However, these sources of funds have been limited in two important ways in meeting the economic development requirements of these areas. First, their assistance has been limited to what may be called "hard" or "bankable" loans. That is, they have made their funds available only at going interest rates for customary repayment periods and repayable in hard currency. Second, because of the stringent nature of these loans, they have been available only for types of projects which are immediately revenue producing and largely self-liquidating.

The IDA, on the other hand, will make loans on flexible terms and for any sound purposes which constitute an integral part of a less developed country's overall economic development program. The fact is that most of the less developed countries have reached the limit of their economic capacity to assume the financial responsibility of additional hard loans. For this reason, the IDA will make loans including some combination of the following features: Low interest rates, long maturity periods, grace periods before repayment must begin and repayment in local currencies.

During the discussion on the IDA at the meeting of the Board of Governors of the IBRD last October, some fears were expressed that the influences of individuals with the traditional bankers' point of view in the IBRD might outweigh in the councils of that organization the views of those who recognize the need for flexible nonbankable loans for economic development in the less developed countries. We recognize that as of now, the organizers of the IDA have fully subscribed to the need for the new organization to have a flexible lending policy. We sincerely hope that they will not deviate from that policy and veer in the direction of a hard loan policy. Such a change, in our opinion, would smash the hopes of those who look to IDA for meaningful support for economic advances in the less developed countries.

I would emphasize at this point, Mr. Chairman, that organized labor in the United States will continue to endorse U.S. participation in and support for the IDA only as long as the IDA maintains policies fully attuned to the needs and capacities of the less developed countries. Indeed, we would urge this committee in its report to the Congress to recommend that continued U.S. support for the IDA be made conditional upon its maintaining a flexible lending policy and that U.S. support be withdrawn if the IDA should adopt a hard, bankable loan policy.

According to the articles of agreement of the IDA, it would be authorized to finance, within the limits of available funds, "any project * * * which will make an important contribution to the development of the area or areas concerned, whether or not the project is revenue producing or directly productive." Thus, the funds can be used not just for revenue-yielding projects but for roads, communication, housing, sanitation, education, and other projects. These are projects which may yield no immediate monetary returns but will in time pay for themselves many times over by their invaluable contribution to the expansion of the entire economy. While they may not be appropriately financed by bankable loans, they are tremendously important from the point of view of achievement of sound economic progress in the less developed areas.

ADVANTAGES OF THE MULTILATERAL APPROACH

I have already stated that the AFL-CIO has long favored the idea of channeling an increasing proportion of our economic assistance to the less developed lands through multilateral agencies. True, it cannot be expected that the IDA or other multilateral or regional agencies will establish themselves on a broad enough scale so quickly as to make unnecessary further bilateral aid programs. On the contrary, we believe that the United States, through the technical cooperation program and the Development Loan Fund should considerably expand its bilateral economic assistance effort until the IDA and other multilateral organizations are prepared to effectively take over the major responsibility.

But we should work toward that goal for there are some very important benefits to be derived from the multilateral approach to economic assistance. Perhaps the most important advantage is that the IDA, as a multilateral organization, will be a genuinely cooperative undertaking of 68 free world nations, both developed and less developed, in which they can pool their financial and technical resources. From the U.S. point of view, this is important because it means that we alone will not be shouldering the entire financial burden.

But there are other gains in the multilateral approach. The skills and talents of individuals in all member countries will be available to advance the program as rapidly as possible. Moreover, an international agency is much less likely to offend the sensibilities and pride of recipient nations. This means that a multilateral agency can state its recommendations for effectively and efficiently carrying out the programs it helps to finance in much stronger terms than can a single lending country.

There is still another advantage in the multilateral approach. As we know from our own experience, even the best of motives of lending countries are sometimes questioned by people in borrowing countries. They may suspect that the lending country is motivated principally by political considerations or by its own narrow economic interests. The Soviet Union and its satellites have not hesitated, of course, to heap coals on this smoldering fire of suspicion although their own activities in this field are, in the main, directed toward their political interests. But an international agency such as IDA in which virtually all free world nations participate will not be as vulnerable to such attacks. Its stated

objective of contributing toward the economic advancement of the entire free world is much more likely to be accepted at face value, and this acceptance of good faith in itself is likely to be a tremendous asset in the cooperative drive to accelerate the pace of economic advancement.

PROPOSED SCOPE OF IDA SHOULD BE ENLARGED

The foregoing comments should certainly make clear our wholehearted support for U.S. participation in the IDA. Our only concern is that the resources which are to be made available for IDA seem to be entirely too small to accomplish more than a small fraction of the job to be done.

Just a few days ago, on March 6, the New York Times reported that in the first 9 weeks of 1960 the U.S.S.R. had committed itself to credits of almost \$700 million in five countries not in the Soviet bloc in Asia, Africa, and Latin America: United Arab Republic, Indonesia, Cuba, Guinea, and Afghanistan. In addition, during this same short period, the Soviet Government announced additional aid will be extended to two underdeveloped Communist countries, Outer Mongolia and North Korea.

We know that there are grave dangers to world freedom when these as yet uncommitted countries accept Soviet assistance. We know that the Soviet Union wants to make them the same kind of satellites as Outer Mongolia, North Korea and other Communist countries now under the Soviet yoke. But the fact remains that the Soviet Union has entered the foreign aid picture in a big way and this we can ignore only at our own peril. We must recognize that unless the more fortunate industrially advanced nations of the free world, and especially the United States which is still by far the richest, are prepared to make available to less developed countries economic assistance on a scale commensurate with their minimum needs, they will reluctantly, but inevitably turn to the Soviet Union.

This is an important reason for increasing the capitalization of the IDA substantially above the presently contemplated level. But it is by no means the only one. Mr. Chairman, as Paul Hoffman has recently reminded us, the average annual per capita income in 100 countries in the non-Communist world is \$100. In more than half of these countries the figure is actually below \$100, including such important countries as India, South Korea, Pakistan, Thailand, and Vietnam. During the decade of the 1950's, per capita income in these areas grew by only 1 percent or \$1 a year. People who are no longer willing to submit to the age-old yoke of hunger, disease, and poverty, will not long be satisfied with that kind of snail's pace progress. If we cannot help them in their yearning for a better life, they will inevitably look elsewhere for assistance.

Experts have estimated that if \$3 billion a year additional could be made available to less developed countries, this would make possible a growth rate in the 1960's in such countries twice that of the 1950's. Let me hasten to say that in the 100 countries to which I have previously referred, this would by no means bring on the millennium. But it would, at least in some of these countries, permit breakthroughs toward the ultimate goal of putting their economies on a self-sustaining basis. It would also immeasurably improve prospects for raising now intolerably inadequate living standards by significant amounts. These are goals well worth striving for.

If this extremely modest objective is to be reached, the IDA must be equipped to make a major contribution toward its achievement. Let me point out that the \$70 million or so a year the administration is prepared to allocate to the IDA during the next 5 years amounts to only about one one-hundredth of 1 percent of our gross national product and only about one-fourth of 1 percent of the annual increase of gross national product we should easily attain. Roughly the same proportions hold true for the other countries expected to provide the bulk of the funds. Surely, the industrial nations of the free world, and especially the United States, can afford to devote more than the puny resources thus far allocated to assure real progress in the drive to eliminate hunger, want, illiteracy, and sickness in the uncommitted less developed countries.

We therefore strongly urge this committee by all means to recommend authorization for U.S. participation in IDA in accordance with the present proposal. But we also express the hope that you will recommend that at the earliest opportunity the United States take the lead in expanding the resources of the IDA so that it will be assured of at least \$1 billion a year.

FOREIGN ECONOMIC POLICY—EXCERPT FROM NO. 110¹

"The possibility of economic development and industrialization has brought to hundreds of millions of people in the less developed parts of the world the hope that they can emerge from the age-old morass of poverty, disease, and hunger. Many millions of these people live in newly independent countries where political awakening has been accompanied by a determination to improve their way of life.

"Escape from poverty with the assurance of freedom is possible in these lands only if economic cooperation is forthcoming from the more industrialized nations. While we hope that other countries will make whatever contributions they can to this effort, the United States, as the wealthiest and most industrially advanced country in the world, should continue to make the major contributions toward helping economic growth in the less developed countries.

"Although the largest part of this assistance will for some time continue to be extended through U.S. agencies, our foreign economic effort should increasingly be channeled through international and regional organizations. It should be on a sufficient scale and on a long-term basis.

"Economic progress fostered by our cooperation should assure the maximum tangible benefits to the people in the aided areas. The fruits of economic development must be widely shared, and the foundations laid for an economic structure in the less developed countries which will strengthen the forces of freedom and democracy. An effective and equitable foreign economic program will also lessen the growing threat of the Soviet bloc to utilize its own economic assistance program to forge political bonds with and subvert the less developed countries.

"The AFL-CIO calls upon the Congress to authorize an expanded, long-term and fully effective program of economic and technical assistance to the industrially less developed nations. This program should include:

"1. A long-term authorization for 5 years of a minimum of \$1.5 billion a year for the Development Loan Fund to make loans for economic development on a basis appropriate to the financial capacity of recipient countries. These funds should be made available without requirement of year-to-year appropriation.

"2. Effective U.S. financial support for and participation in the proposed International Development Association, Latin American Development Association and other regional development associations that may be organized to provide long-term, low-interest loans repayable in local currencies through international or regional channels for economic development in less developed areas.

"3. Expanded support for technical cooperation programs through both United States and United Nations agencies.

"4. Expanded programs to distribute surplus foods and fibers abroad in order to help improve living standards and assist economic development in the less developed countries."

The CHAIRMAN. Senator Aiken, do you have any questions?

Senator AIKEN. You would approve, would you not, Mr. Seidman, that such safeguards as may be necessary to insure that whatever money is provided is actually used for new development purposes and not used in such ways that new development would not result and increases of living levels would not result?

Mr. SEIDMAN. Yes, we would certainly favor, by all means, all steps necessary to assure that these funds are not dissipated, and that the funds are used to the maximum extent to build up the economies of these less developed countries.

Senator AIKEN. I assure you that is the purpose of some of the questioning that has taken place in these hearings. I, for one, am concerned that whatever money is provided be actually used for the purpose for which we intend it, and not be dissipated so as to get only negligible results.

Mr. SEIDMAN. Well, we would certainly support you in that view, Senator.

¹ This resolution was adopted at the third convention of the AFL-CIO, September 1959.

Senator AIKEN. That is all.

The CHAIRMAN. Senator Williams.

FUNDS SHOULD BE USED FOR ADDITIONAL DEVELOPMENT PROJECTS

Senator WILLIAMS. One question: In line with what Senator Aiken said, as I understand it, you would recommend that we include safeguards to make sure that these funds were not used to bail out existing loans of various agencies, international or private?

Mr. SEIDMAN. I would think that these funds should be used for additional development projects, rather than to attempt to pay off the loans on projects which are already under way.

Senator WILLIAMS. Well, that was my thought: That they would not be used just to bail out someone who may have a weak loan and just use this as another vehicle to bail them out. That it would be used for new development.

Mr. SEIDMAN. Yes, I think it should be used for new development. I do think, however, that if some countries have been unable, let's say, to pay back hard loans, this may be even more of an indication of why this agency is needed to make these flexible loans.

Senator AIKEN. But if they use this to pay back their hard loan, and get no development at all, then they miss the point.

Mr. SEIDMAN. I am not suggesting that they should use this for that purpose, but I am saying this may be a clear indication of just why it is that this agency is needed.

Senator AIKEN. In the course of time, if they can get a loan from IDA to start new developments, then they would probably be able to pay back their other loan some day. But if they take this money and almost immediately use it to pay present indebtedness, that doesn't get them any further along the road to prosperity and better living.

Mr. SEIDMAN. I agree with you, but I would also hope that countries which, because their economies have been functioning at such a low level, have been unable to pay back on the loans that they have received would not be automatically disqualified from obtaining this entirely different type of loan from the IDA for sound development purposes.

Senator AIKEN. That is all.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. No questions.

VIEWS CONCERNING HIGHER TAXES

The CHAIRMAN. Mr. Seidman, just one question.

I think your only criticism is the inadequacy of the sums provided, especially by the United States.

Is it proper to infer from that statement, if it is necessary to maintain a balanced budget, that you and your organization would support higher taxes to obtain the income for the U.S. Government to finance this kind of an organization?

Mr. SEIDMAN. Well, Senator, on other occasions representatives of our organization have appeared before congressional committees with specific proposals as to ways in which we think that additional taxes can be raised, if necessary. And last year, if I recall correctly, I entered into the record of the hearing, when a similar question was

raised, the specific proposals which our organization has put forward on this question.

The CHAIRMAN. In other words, if it is necessary—I don't know whether it is necessary for this particular purpose, but it certainly would be some drain on the Treasury—you would not object to raising more money for such a worthy purpose; is that correct?

Mr. SEIDMAN. That is correct. And, of course, we would be concerned about the way in which the additional taxes would be raised.

The CHAIRMAN. Yes, everybody is concerned about the way. I take it by that you would not like a sales tax, is that right?

Mr. SEIDMAN. That is correct.

The CHAIRMAN. By the way, what way would you prefer, or is it too complicated to go into now?

Mr. SEIDMAN. Well, there are a number of different proposals which we have suggested. One of them relates to the depletion allowances on petroleum. There are a number of others. This is not a field in which I am particularly expert, but I would be glad to provide you with that.

The CHAIRMAN. It is not the jurisdiction of this committee to go into the ways. I was just wanting merely a broad statement.

But, generally, you feel this kind of project is worth our making a greater effort which, if it requires greater taxes, you would go into? You are not committing yourself to any specific type of program, but you think, in general, it would be worthwhile?

Mr. SEIDMAN. If that were necessary.

The CHAIRMAN. Yes.

Thank you very much, Mr. Seidman.

Mr. SEIDMAN. Thank you.

The CHAIRMAN. We appreciate your taking the trouble to come in and present your views.

The next witness is Mr. Elton Atwater, Friends Committee on National Legislation.

Mr. Atwater, we are very pleased to have you this morning.

STATEMENT OF ELTON ATWATER IN BEHALF OF THE FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Mr. ATWATER. Thank you, Mr. Chairman. I will read my statement, if that is agreeable.

The CHAIRMAN. Yes, you may proceed.

Mr. ATWATER. Mr. Chairman and members of the committee, my name is Elton Atwater. I am professor of political science at the Pennsylvania State University. Today I am speaking on behalf of the Friends Committee on National Legislation. The views which I express will, I believe, have the support of many Friends (Quakers), although I do not pretend to speak for all Friends, since our democratic structure does not lend itself to official spokesmen.

I have come to urge your strong support for the proposed authorization for U.S. participation in the International Development Association (S. 3074). The Friends Committee on National Legislation especially welcomes this proposal as a major step toward greater use of multilateral agencies for economic assistance to the underdeveloped countries of the world.

As President Eisenhower and many members of this committee have frequently indicated, the United States has a clear interest in the economic growth of the less developed countries. The International Development Association will be an important additional link in the network of national and international agencies dedicated to this objective.

I have followed with great interest the development of the IDA proposal ever since it was submitted 2 years ago by Senator A. S. Mike Monroney. I would like here to pay special tribute to the initiative and efforts of Senator Monroney on behalf of this idea which is now coming to fruition.

I was then on leave of absence from my university, working as a Quaker nongovernmental organization representative at the United Nations. In this position, I was concerned, among other things, with exploring ways whereby greater economic assistance to the underdeveloped countries could be channeled through the United Nations and its specialized agencies.

In the spring of 1958, when the IDA plan was first being considered by the Senate, few United Nations delegates had heard much about it. I tried in a small way to interest as many delegates as I could in the proposal, and I found Senator Monroney very helpful in supplying materials and information for these United Nations representatives.

The representatives were very grateful for the information and showed considerable interest in the plan, particularly because it seemed likely to attract greater support from both the potential suppliers of capital and the underdeveloped countries than had any other capital development program which had been previously considered by the United Nations.

Many excellent reasons have been advanced in support of the International Development Association by President Eisenhower, Secretary Anderson, Senator Monroney, the Executive Directors of the International Bank and others. I should merely like to emphasize two of these reasons which seem especially significant:

1. THE FLEXIBILITY OF ITS LENDING OPERATIONS

This will be important in promoting more rapid and comprehensive economic growth on the part of the underdeveloped countries than would be possible if they had to depend largely on conventional loans, public or private. Because of their low levels of productivity, the underdeveloped countries are often unable to repay loans on terms required by normal commercial banking (6 to 8 percent interest; 10 to 20 years maturity). Their export earnings are often too low, particularly if they lack natural resources, to enable them to repay in convertible currencies.

On top of this, some of the most basic needs for economic development such as improved services of public health, sanitation, education, transportation, and social welfare, are not revenue-producing projects and therefore will not attract either private investment or public loans which have to be made according to orthodox commercial banking standards.

If a more intensive rate of economic development is to be achieved, it is clear that more flexible terms of capital assistance (longer

periods for repayment, lower interest rates, greater use of local currencies, and the possible use of grants in some cases) must be employed.

The U.S. Development Loan Fund is designed to do this, but until now there has been no multilateral agency with more flexible lending operations. The World Bank, despite its admirable record, cannot do the entire job because it must limit its operations to projects which will measure up to orthodox commercial standards.

The International Development Association will therefore supplement the World Bank, as well as the Development Loan Fund, very usefully. Moreover, since it is to be affiliated with the World Bank and directed by the same personnel, it will be able to operate with all the skill and experience of the World Bank itself.

MULTILATERAL CHARACTER OF THE AGENCY

My second reason for supporting the IDA is because of the multilateral character of the agency.

This is one of the most important reasons for supporting the International Development Association. Economic development, insofar as it depends on public funds, can, in my opinion, be fostered more effectively and less expensively through a multilateral rather than through a bilateral program. Because of the special needs of the underdeveloped countries for more flexible credit arrangements, public funds are likely to play an increasingly major role. Larger multilateral programs of capital assistance must therefore be available.

A multilateral program can allocate projects more on a basis of economic merit and without reference to political conditions or strings. There is a tendency in every bilateral program to give priority in allocations to countries whose political or strategic position is important, without applying the same rigid standards of economic merit or need which characterize the approach of the World Bank.

There is also the temptation in a bilateral program to award projects in order to avoid offending particular nations. For these reasons, the same amount of money may not go so far in a bilateral program as it might in a multilateral program.

As Paul Hoffman has recently pointed out in his excellent study, "One Hundred Countries, One and One-quarter Billion People," when economic aid is used "to win friends and influence people" or as an instrument in the cold war, it loses some of its effectiveness and tends to become distorted by political considerations.

"The recipient countries are tempted to rely on their political position rather than their own efforts to solicit the flow of funds, and the donor countries are tempted to slash constructive programs if the recipients do not show gratitude and sympathy toward them * * *. The best way to avoid the intrusion of political factors into this process of economic building is to rely, to the fullest possible degree, on multinational rather than bilateral operations."

A multilateral agency, furthermore, is in a much better position than a national government to suggest measures of internal economic reform in a recipient country without seeming to be engaged in an offensive kind of interference in the internal affairs of that country.

I do not believe that the United States' interest in the economic improvement of the underdeveloped countries is any less effectively promoted by a multilateral program than by a bilateral program.

Our interest lies in helping the underdeveloped countries improve their living standards to the point where they will be increasingly able to sustain their freedom in internal affairs and their independence in external affairs. The capital investment programs of the World Bank and those contemplated by the International Development Association can do this effectively provided sufficient resources are available to them.

I might add, at this point, in view of the advantages of a multilateral program for capital assistance, that our organization believes it would be desirable for our own Government, as well as other governments, both east and west, to switch their emphasis from bilateral to multilateral operations.

The economic improvement of the underdeveloped countries is a desirable objective in itself, and our interest in seeing it accomplished would actually be better served by a well administered multilateral program than by a bilateral program.

Bilateral programs tend to become competitive with one another, and this sometimes has the effect of increasing rather than decreasing international tension.

I would also like to make a comment, if I might, regarding Senator Williams' earlier hypothetical examples regarding voting in the International Development Association.

It seems to me that in his comments he overlooked two points:

First, the votes of the other countries in schedule A, that is the developed countries, particularly of western Europe. The votes of these countries in combination with those of the United States would always be larger than the combined votes of the schedule B countries, the underdeveloped countries, regardless of whether you go on the basis of 65 percent of the total capital or 100 percent of the total capital.

And, secondly, it seems to me that Senator Williams, in his hypothetical case, assumes that the 51 underdeveloped countries would always vote as a block and would always vote against the United States.

Senator WILLIAMS. Might I interrupt.

I don't think you will find I made any such assumption. I raised the hypothetical case as to the change in the voting power if certain countries didn't join. I pointed out the amount of power that the part II countries would have in the number of votes and the percentage of power. Whether they voted as a block, no one living can state.

Mr. ATWATER. That is correct, but I think there would still need to be sufficient capital from the other developed countries. If my figures are correct, if all of the 51 underdeveloped countries contributed and if the United States contributes its full amount, you would still need nearly \$93 million from the other schedule A countries.

Senator WILLIAMS. You were correct, and I so stated, that the majority voting power, by a few percentage points, would be with the hard currency countries. But, still, the part II countries would increase their percentage from 23 to 31 percent.

Mr. ATWATER. Yes.

Senator WILLIAMS. I wasn't raising that as an objection, but was pointing it out.

Mr. ATWATER. Yes.

Senator WILLIAMS. My other point was that it would not be possible to say with any degree of certainty that you would have the same Board of Directors administering the Bank and IDA—which was the clear intent of all concerned in supporting this legislation.

Mr. ATWATER. Yes.

Senator WILLIAMS. And I was pointing out there is a possibility where you may not be able to accomplish that which you, as I understand it, and everybody else intended to accomplish, if you didn't get 100 percent participation, and I thought it was well to bring it out.

Mr. ATWATER. Well, it does seem to me that the weighted voting gives the United States and the other developed countries adequate representation of their views as against the underdeveloped countries. Your argument seemed to be suggesting that they would be losing in the long run if this were to take place.

And I don't, myself, feel that that necessarily would be the case.

Senator WILLIAMS. Do you not think we would lose in the long run if only 65 percent of the nations participated? Would it not need a relatively higher percentage for this to work? If you were going to get a minimum of 65 percent ratification, and no more at any time, don't you think you would lose a lot?

Mr. ATWATER. We would not have so much if 100 percent didn't participate. But I think there would still be a net gain over what we might have if we did not have an institution of this sort.

I think we would gain, but we would not gain so much if we didn't have 100 percent.

Senator WILLIAMS. I agree with that.

INCREASE IN CAPITAL

Mr. ATWATER. My final point, Mr. Chairman, concerns an increase in the capital urged for the International Development Association.

The total capital envisaged for the International Development Association—\$1 billion over a 5-year period—is far from sufficient to enable the underdeveloped countries as a whole to raise their living standards very significantly. The proposed schedule of capital subscription calls for only approximately \$230 million in 1961 and \$192 million in each of the succeeding 4 years.

The U.S. contribution would be \$73.6 million the first year and \$61.6 million each of the next 4 years. This is less than half of what we are presently spending for technical assistance and seems hardly commensurate with our ability to pay in terms of our total national income and productivity.

A number of economists have indicated that the underdeveloped countries could effectively absorb \$3 to \$4 billion a year of capital investment in addition to what is now being invested. This is about as much as is currently being invested in the underdeveloped countries by all outside sources, public and private (\$4 billion in 1958).

According to the estimates of United Nations economists, working under Paul Hoffman, the \$4 billion being presently invested each year

in the underdeveloped countries has resulted in a net increase of barely 1 percent in their living standards. If an additional \$3 billion a year could be invested over the next decade, it is estimated that an average increase in living standards from 1 to 2 percent would be achieved. This would also mean that in the case of a few countries a significant breakthrough to 4 or 5 percent would be accomplished.

The International Development Association is well designed to play an important part in this program of economic development if its sights could be raised and more capital subscribed. Paul Hoffman has suggested that the IDA attempt to provide \$10 billion over the next 10 years, or \$1 billion per year, instead of the present \$1 billion goal over a 5-year period. We wholeheartedly support this suggestion of Mr. Hoffman's and urge, Mr. Chairman, that you and the committee seriously consider recommending an increase in the capitalization of the International Development Association along these lines.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Atwater.

Senator Aiken, do you have any questions?

Senator AIKEN. I don't think so.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. Just one.

ADDITIONAL OUTLAY URGED

Mr. Atwater, in recommending this \$10 billion over a period of 10 years, would you recommend that in addition to all other programs, or would you suggest that as we moved over into this International Development Agency, there should be a corresponding reduction in other unilateral agencies?

Mr. ATWATER. This is recommended in addition to everything that is now being done.

Mr. Hoffman, and other United Nations economists, have estimated that roughly \$30 billion over the next 10 years, or roughly \$3 billion every year, would be needed in addition to everything now being done, if the net increase in living standards of the underdeveloped countries is to go from 1 to 2 percent.

Now, of that \$3 billion, Mr. Hoffman has suggested that \$1 billion might come from private investment, and he is suggesting that \$1 billion might come from the International Development Association, and that \$1 billion would then still have to come from other sources.

But he is suggesting, and I concur and my organization concurs, I think, in the hope that the IDA might undertake to find one-third of what would be needed in new money to raise the living standards of the underdeveloped countries by 1 percent additional.

Senator AIKEN. I have one question.

I noticed, Mr. Atwater, that you put considerable stress on Mr. Hoffman's statement, and also that we should make multilateral, rather than bilateral, loans, because in making bilateral loans we make them to countries that show gratitude and sympathy.

EFFECT OF SOVIET PARTICIPATION IN MULTILATERAL LOANS

In other words, we make bilateral loans to our friends, whereas multilateral loans might not take that into consideration.

Is there any way that we can convince Russia that she should make loans to countries that don't like her as well as those that do?

Mr. ATWATER. I don't suppose that we could convince her. She would have to be convinced on the merits of the program. It does seem to me, though, that if you had a really large-scale multilateral program which was helping countries on the basis of their economic need, where political considerations were reduced to a minimum, that you would have perhaps the most effective means of, if you like, competing with the Soviet offers.

You could mobilize far greater resources. And it seems to me, from the standpoint of psychological impact on countries in the underdeveloped parts of the world, you would have a far greater effect in offsetting what the Soviet Union may try to offer on a bilateral basis.

I would like to see the Soviet Union participate in multilateral programs. I think this would tend to make it much easier to control the purpose for which their money is used.

Senator AIKEN. I wonder why they don't participate.

Mr. ATWATER. Because, basically, I think they don't find that through a multilateral program they can foster their national interests as well as they can through a national program.

Senator AIKEN. What would you think of, in some cases, the United States and Russia going 50-50 on loans in an underdeveloped country? Would that work out?

Mr. ATWATER. I think that this certainly should be very carefully explored and considered. It would tend, certainly, to take the thing out of the area of competition, which, it seems to me, is important.

The minute you compete with the other countries for the right to lend money, you get yourself into a more expensive situation than if you allocated your projects on the basis of the economic merit of the case.

Senator AIKEN. In other words, you would not undertake to bid against Russia for the purpose of making loans to an underdeveloped country?

Mr. ATWATER. It seems to me we should try to get away from that, and by having a multilateral agency capable of offering credit and loans on cases of economic merit, that you do have the best way of dealing with that.

Senator AIKEN. That is all.

The CHAIRMAN. Thank you very much.

Senator WILLIAMS. Mr. Chairman, may I ask one question?

The CHAIRMAN. Yes.

POLITICAL CONSIDERATIONS EXCLUDED FROM DECISIONS ON LOANS

Senator WILLIAMS. In considering the application of a loan from one of these countries, as I understand it, you would not recommend that they take into consideration the political form of government involved?

Mr. ATWATER. That is, by the IDA?

Senator WILLIAMS. By the IDA.

Mr. ATWATER. Well, the IDA is expressly precluded by its charter from making any kind of interference in the internal affairs of another government, and that would presumably preclude their making a consideration of the form of government.

It seems to me they would be looking at the project which was requesting the money, and examining the merits of that project, and trying to decide on that basis what was the best thing to do in the interests of the world economic community.

Senator WILLIAMS. If this were approved, you would suggest that they should give the same consideration to Castro's Cuba as to any other country that might wish to make a loan?

Mr. ATWATER. I would think this would depend on the nature of the project concerned.

Senator WILLIAMS. What I mean is this: All things being equal, Castro's Cuba would get the same consideration as any other country?

Mr. ATWATER. Well, the executive directors and the board of governors of the International Development Association, in making their decisions upon economic merit essentially, I would think, would be guided by that. Perhaps the assumption might be that a sound program of economic development is, in the long run, the best way of dealing with some of the cases of extremism which we seem to find in world affairs.

Senator WILLIAMS. That is all.

The CHAIRMAN. Thank you very much, Mr. Atwater. We appreciate your taking the trouble to come here.

Mr. Herbert Harris, the American Farm Bureau Federation.

Mr. Harris, we are very pleased to have you come before the committee.

STATEMENT OF HERBERT E. HARRIS II, ASSISTANT LEGISLATIVE DIRECTOR, THE AMERICAN FARM BUREAU FEDERATION

Mr. HARRIS. Thank you, Mr. Chairman.

My name is Herbert Harris, the assistant legislative director of the Farm Bureau. In the interest of time, I would like to suggest—I am conscious of the time, and I am sure that the committee is, too—that I simply file the statement and make one or two comments on the main points in the statement.

The CHAIRMAN. I think that would be very well. I am sure that many of the basic ideas have been covered. The whole statement will be inserted in the record.

Mr. HARRIS. Thank you, Mr. Chairman.

I won't bother to describe to you the Farm Bureau; I know the distinguished men present are familiar with the Farm Bureau.

The CHAIRMAN. I think we know it.

Senator AIKEN. And I have read the testimony which he would have given, had he read it.

EFFECT OF IDA ON BALANCE OF PAYMENTS

Mr. HARRIS. I would like to make these main points.

First of all, Farm Bureau is very concerned about the current balance-of-payments situation. We feel that a strong trade-agreements program and a high-level mutually advantageous trade are important to the United States and to the strength of the free world.

Now, this trade program and the balance-of-payments situation, we think, go hand in hand. If something is not done to correct this serious balance-of-payments situation immediately, or at least tend to correct it, this is going to be used as a club toward eliminating a strong trade program for the United States.

We think this would not be in the best interests of the American farmer, or the best interests of the free world.

We recognize, also, that there are many countries, formerly recipients of our aid, who are now able to take on some of the burden of development and defenses of the free world.

We recognize that IDA has been proposed as a vehicle, as a mechanism, to allow them to take on some of this burden. Now, to the extent that it is used as such a mechanism, we support the IDA. However, we feel the committee will want to be very careful to assure that the IDA is implemented in this manner. We have doubts, I think shared by many, that this may be a mechanism to enlarge the burden on the United States in this area, rather than to shift the burden.

We feel there is one good way to indicate that this is not the purpose of IDA, and this is to reduce the Development Loan Fund appropriation this year to the extent that the United States contributes to the IDA. It is certainly not a method of transferring the burden to keep our Development Loan Fund appropriations at the present level and to add to it the appropriations necessary for IDA.

This is enlarging the burden on the United States, not transferring it.

To be specific, the Development Loan Fund now has an appropriation, in the current fiscal year, of \$550 million. We will be required to make a contribution to IDA in the first year of about \$73 million.

We feel that the appropriation to DLF should be reduced from \$550 million to \$477 million, or a reduction of \$73 million. We have tabulated the agencies that have been created to supply credit and capital for the various countries of the free world.

We are referring to the International Monetary Fund, the World Bank, the Export-Import Bank, Inter-American Development Bank, and, of course, the Development Loan Fund. Not including the Development Loan Fund, this totals \$17,960 million of credit that the United States has contributed for underdeveloped countries.

In addition to this, of course, there has been \$1,400 million created bilaterally through the Development Loan Fund.

We feel there is a point where a country reaches the limit of the amount of credit and capital that it can provide. We feel that perhaps that limit may be reached now.

But, again, if we are going to utilize IDA as a method of shifting this burden, let's use it to shift it, not to expand it.

We feel our present fiscal condition, the present fight against inflation, requires a reduction of Government expenditures.

Now, the World Bank has a very fine record, and it is one that we admire very much. We are afraid that this record could be destroyed if, in attaching an agency like IDA to it, there is no effort made to assure that IDA is used judiciously and with prudence. It should be that little bit of soft loan that allows hard financing to be made. We would hope that it would be used in just this way, and in this way alone.

We would like to see it substituted for the bankable types of loan that the World Bank has made.

FOREIGN CURRENCY ACCUMULATED UNDER PUBLIC LAW 480

There have been suggestions made that foreign currency accumulated under Public Law 480 and otherwise be turned over to the IDA. There is no doubt that there will be, and that there have been, instances where foreign currency under Public Law 480 has been used on the same project that loans from the World Bank or other lending institutions are also used.

It is not unusual to obtain financing through several different sources, and there is no reason why this type of arrangement cannot continue. But we can see no benefit from turning these foreign currencies over to IDA for its administration.

This \$2,574 million worth of foreign currencies that we have accumulated under Public Law 480 and earmarked for economic development is a tremendous responsibility, and it is one that we are not going to be able to get rid of by donating it to an international agency at this point. It is one the Farm Bureau feels the United States should maintain its control over.

In conclusion, Mr. Chairman, I should like to say that the Farm Bureau would urge that this bill, S. 3074, not be reported out, until this committee has considered the Mutual Security Act.

We feel that mutual security and IDA are interrelated and, of course, our recommendations as to reduction of the Development Loan Fund in connection with the IDA relate them even more. We would hope that the committee consider both bills before reporting out either.

That concludes our statement, sir.

The CHAIRMAN. Thank you very much, Mr. Harris.

Do you have a question, Senator Aiken?

Senator AIKEN. Apparently, Mr. Harris, you realize that the Congress last year authorized aid in one form or another to other countries of the world in the form of gold or dollars or guarantees which amounted to approximately \$10 billion, and I gather from your testimony you don't regard that as a niggardly contribution.

Mr. HARRIS. No, sir; we do not.

Senator AIKEN. I don't think people realize that our contributions and increased guarantees last year came to approximately \$10 billion, but they did; and we hope it was spent wisely and yields good returns.

That is all.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. No. I want to congratulate you on your statement, and I think it is a very constructive suggestion. The witnesses

preceding you have indicated that it was their intention that IDA be an agency whereby we could do on an international basis that which we are now doing alone.

And it is your opinion, as I understand it, that you would be in favor of that if it meant a reduction in some of these other programs, a corresponding reduction.

Mr. HARRIS. Yes, sir; not so much reduction, as it would be a transferring.

Senator WILLIAMS. Transfer.

Mr. HARRIS. The same level would be maintained, and actually expanded when you consider the contributions of the other countries.

Senator WILLIAMS. I appreciate that, but that is what I meant, a transfer of that which we are contributing to one program now over to this international agency.

Mr. HARRIS. Yes, sir; exactly.

Senator WILLIAMS. And it not be used as an additional agency with additional expenditures.

Mr. HARRIS. Yes, sir.

The CHAIRMAN. Thank you very much, Mr. Harris. We appreciate your taking the trouble and time to come here.

Mr. HARRIS. Thank you, Mr. Chairman.

(The prepared statement submitted by Mr. Harris is as follows:)

PREPARED STATEMENT OF HERBERT E. HARRIS II, ASSISTANT LEGISLATIVE
DIRECTOR, THE AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation appreciates this opportunity to present its views with regard to U.S. participation in the International Development Association. The IDA originated as a U.S. proposal made to the Board of Governors of the World Bank. Under this proposal all the members of the World Bank—but chiefly the 17 most economically advanced countries—would contribute \$1 billion to a fund which would be administered in conjunction with the World Bank to make loans for economic development to underdeveloped countries. These loans could be repaid in local currency rather than the currency lent. The terms of the loans could allow longer maturity and lower interest rates than the type of loans now being made by the World Bank. The IDA articles specify that it will not provide financing when it is available from private sources on reasonable terms for the recipient or could be provided by a loan of the type made by the World Bank.

Farm Bureau is a free, independent, nongovernmental, voluntary organization of 1,602,117 farm and ranch families in 49 States and Puerto Rico.

Farm Bureau policies continue to recognize the need for international cooperation and the necessity for the United States to maintain its leadership in the pursuit of lasting peace. We believe that the United States should continue to stand ready to support needed constructive assistance to nations of the free world.

We feel that one of the paramount factors that will give strength to the free world is a high-level, mutually advantageous trade. We have given strong support to the reciprocal trade agreements program and continue our firm belief that two-way mutually advantageous trade is preferable to unilateral transfers by the United States through grants or excessively long-term easy credit.

A sound international trade program should be the keystone in America's foreign policy. Today our trade program is seriously threatened by our present balance-of-payment position. It is imperative that constructive steps be taken immediately to correct this situation.

For over a decade, the United States has contributed vast amounts of military equipment, capital investment, and technical assistance to nations throughout the free world. The rehabilitation of Western Europe and the common defense against communism required the expenditure of large amounts of human and economic resources. The economic resurgence of many nations that formerly were recipients of our aid makes mandatory a comprehensive revision of programs designed to assist other free nations.

Last December the voting delegates of our member State organizations adopted the following Farm Bureau policies for 1960:

"We should continue to stand ready to support constructive assistance to less-developed nations that show a willingness and a desire to use such assistance properly.

"However, the economic resurgence of many nations that were formerly recipients of our aid makes mandatory a comprehensive revision of our mutual security program. These nations should now assume a greater share of the burden of the defense and development of the free world. This will make possible a substantial decrease in the financial contribution required of the United States."

While Farm Bureau recognizes America's responsibility in the free world, we reject the proposition that the United States can or should assume total responsibility for the defense and development of the whole free world.

It has become apparent that it is time for other industrialized nations of the free world to assume a greater share of the burden of economic development. They have earned the right to participate more fully in the fight against communism and the struggle for development. We should not deny them this opportunity.

U.S. FISCAL POLICY

It is necessary that the United States adopt and maintain domestic policies which will keep our country economically strong and financially sound. This is important not only to our own country's future but also to our position as the leader of the free world. We have a duty—and it is a serious obligation—to set an example to less developed countries that we have the ability and courage to manage our own fiscal affairs. The fight against inflation requires the reduction of Federal Government expenditures.

Farm Bureau supports U.S. participation in the International Development Association to the extent that this institution is implemented as a means to permit and encourage other economically advanced countries to share the burden of development of the free world. It should not be used as a device to increase the burden on the United States or to enlarge the amount of public funds provided by the United States for economic aid.

Of course, this support also is conditioned on the assumption that IDA will be operated in accordance with its articles of agreement and will not be used when financing is available from private sources or from public "bankable loan" institutions.

BALANCE OF PAYMENTS

As indicated above, the present balance-of-payment situation has serious implications to our foreign trade policy. The following table shows the balance-of-payment position.

Balance of payments

[Billion dollars]

	1956	1957	1958
Dollars paid by other countries to United States for—			
Goods and services United States sold to other countries (including income from investments).....	23.5	26.4	23.1
Other exchange earnings.....	1.2	1.3	.4
Total exchange earnings.....	24.7	27.7	23.5

IN 1958 WE EARNED \$4.2 BILLION DOLLARS LESS THAN IN 1957; \$1.2 BILLION LESS THAN IN 1956

[Billions of dollars]

	1956	1957	1958
Dollars paid to other countries for—			
Goods and services sold to the United States.....	17.5	18.3	18.0
Private investment.....	3.0	3.2	2.9
Military expenditures overseas.....	2.9	3.1	3.4
Economic aid.....	2.3	2.6	2.6
Total exchange payments.....	25.7	27.2	26.9

IN 1958 WE SPENT \$300 MILLION LESS THAN IN 1957; \$1.2 BILLION MORE THAN 1956

The result, a gold or dollar "outflow" of \$3.4 billion in 1958 compared to an "inflow" of \$500 million in 1957 and an "outflow" of \$1 billion in 1956.

Although complete figures are not available for 1959, present information indicates a gold or dollar outflow for the first three quarters of \$3.1 billion. The total outflow for the year appears to have been approximately \$4 billion.

It is obvious that immediate steps must be taken to correct this deficit. Farm Bureau firmly believes that the sound, long-range, solution lies in expanded "dollar exports"—not in trade restrictions. This means that U.S. industry and agriculture must keep costs under control and prices competitive. It also means that the United States must insist that other countries promptly remove discriminations against imports of U.S. products. These discriminatory restrictions were originally instituted by other countries when they had balance of payment difficulties. For the most part this is no longer a valid justification and, under the trade agreements program and the General Agreements on Tariff and Trade, these countries have the obligation to remove the restrictions.

It is true that some progress has been made in this regard. However, there still remains numerous discriminatory restrictions against American exports. American agriculture especially has been placed at a serious disadvantage because of this situation. Unless more progress is made toward the goal of expanded U.S. exports, trade restrictionists may very possibly win their fight to wreck America's trade agreements programs. Indeed, their success is almost assured unless we take prompt action to bring our international payments into better balance.

Expanded exports constitute a long-range program which cannot be achieved if at the same time the United States is applying greater import restrictions. This means that immediate action must be taken to reduce our "dollar outflow."

Farm Bureau believes that this necessitates that other economically advanced countries assume more of the burden of the defense and development of the free world. This will make possible a reduction in the "dollars" expended by the United States and will contribute toward the solution of our balance of payments problem.

FUNDS AVAILABLE FOR ECONOMIC DEVELOPMENT

In recent months, numerous additional sources of credit have been established for underdeveloped countries. Farm Bureau supported the increase in the U.S. quota to the International Monetary Fund of \$1,344 million. This brought the U.S. share to \$4,125 million. We supported the increase in the U.S. subscription to the World Bank from \$3,175 million to \$6,350 million. In 1955 we supported the establishment of the International Finance Corporation with an available capital of \$100 million.

We believe these institutions provide important sources of credit to the countries of the free world. Farm Bureau has given vigorous support to the Export-Import Bank. The Bank is now authorized to have loans and guarantees outstanding at any one time of \$7 billion.

During the last session, Congress authorized U.S. participation in the Inter-American Development Bank which was established to provide credit facilities of \$1 billion to Latin American countries. We understand that this is to be increased by \$500 million in 1962. The United States is authorized to contribute \$450 million toward this institution. The total U.S. contributions to these institutions amount to \$17,960 million. In addition, the U.S. Congress has to date appropriated \$1,400 million for the Development Loan Fund.

There is a limit to the amount of capital funds the U.S. Government can provide to other countries. Many believe that limit has already been reached. The administration is now proposing the International Development Association which is designed to provide initially \$1 billion for "easy-term" economic development loans. The United States will be expected to provide \$320,290,000 toward this institution when fully established—approximately \$73,666,700 the first year.

We understand that the purpose of this institution is to provide a mechanism through which other industrialized countries can share the burden of providing funds for economic development to underdeveloped countries. If this is the purpose, then it stands to reason that the Development Loan Fund—the present U.S. program for "easy-term" credit—should be reduced at least to the extent that the United States contributes to the International Development Association.

Therefore, Farm Bureau recommends that authorization for U.S. participation in IDA should be made only with the firm understanding that the present level

of appropriation for the Development Loan Fund will be reduced by the amount of the appropriation necessary to fulfill the U.S. contribution to IDA. To illustrate: IDA will increase the available "easy-term" credit for underdeveloped countries by \$1 billion—approximately \$230 million the first year. The U.S. share of the total will be \$320 million. Appropriations of about \$74 million will be requested in fiscal year 1961. Fiscal year 1960 appropriation for the Development Loan Fund amounted to \$550 million. If this was reduced to \$476 million in fiscal year 1961, the United States would be maintaining its current level of providing funds for economic development and there would be at the same time a net increase of \$156 million "easy-term" credit available to underdeveloped countries.

WORLD BANK

IDA as proposed would be an affiliate of the World Bank, administered in large part by the Bank's officers and staff.

The World Bank has established an excellent record for careful fiscal management and sound constructive use of funds. It has lent money to countries only under terms and conditions which made it realistic to expect repayment as prescribed. This has induced a fiscal discipline in some countries which in turn contributed substantially toward that country's economic development. Underdeveloped nations need a great deal more than the capital that can be provided through public funds. Private investment is essential. It is as unfair as it is unsound to indicate to such countries that loans for economic development will be provided regardless of the economic policies which these countries maintain. These international institutions are efforts to help countries help themselves. The capital should be provided under conditions and terms which induce countries to develop programs and adopt policies which are economically sound and which in the long run will contribute substantially to their development.

"Easy-term" credit can be a service to a country only when it is used as a means of making additional financing available through private investment or through established "bankable loan" institutions. Easy term loans are an expedient and must be administered with caution and prudence. Otherwise, a disservice may be done to the recipient. If these principles are not applied to the IDA, the sound constructive policies of the World Bank will not be maintained and this institution will be torn from the sound operating basis which has resulted in its past success.

PUBLIC LAW 480

It has been proposed that part of the foreign currency acquired under Public Law 480 be turned over to IDA.

Under title I of Public Law 480, the Agricultural Trade Development and Assistance Act, the United States has sold for foreign currency tremendous quantities of agricultural surpluses. There is over \$2,574 million in foreign currency accumulated under this program that have been designated for economic aid. There is additional authorization for Public Law 480 which will generate more foreign currency which can be used for economic development.

There is presently no barrier for using such foreign currencies on projects which are partially financed by the World Bank or other "bankable loan" institutions. Indeed, we feel certain that there are many instances where this has been done. We do not see the necessity to turn such foreign currencies over to the IDA. Farm Bureau recommends that the United States maintain the control it now exercises over the disbursement of foreign currencies generated under Public Law 480.

Farm Bureau further recommends that this committee not report out a bill authorizing U.S. participation in the IDA until it has completed its deliberations on the Mutual Security Act. We believe that these programs are so interrelated that the committee should give full consideration to both programs before reporting out either. We sincerely believe that better legislation will result from such a procedure.

The CHAIRMAN. I wish to insert in the record at this point letters from the National Council of Farmer Cooperatives, the Women's International League for Peace and Freedom, American Merchant Marine Institute, Inc., the National Grange, the National Council of

Churches of Christ in the U.S.A., the Council-affiliated United Church Women, and the United Christian Missionary Society.

(The letters referred to follow:)

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D.C., March 16, 1960.

Re S. 3074.

Honorable J. W. FULBRIGHT,
Chairman, Senate Foreign Relations Committee,
Washington, D.C.

DEAR SENATOR FULBRIGHT: The National Council of Farmer Cooperatives, which is composed of approximately 5,000 farmer cooperative business organizations engaged in marketing farm products and procuring farm production supplies, desires to support the principles contained in S. 3074 relating to the establishment of the International Development Association.

The farmers of this country have a very great stake in the improvement of economic conditions in underdeveloped countries. It is our belief that constructive efforts to bring about better balanced economies in such countries and the development of sound methods by which their citizens may eventually approach the level of purchasing power found in the more developed areas, is good not only for them but for the rest of the world as well.

As one reason for our support we have become somewhat concerned that continued accumulation of soft currencies under the Public Law 480 program may lead to an unused surplus of those currencies which can, in some respects, become almost as embarrassing as the continued accumulation of unneeded surplus commodities. We hope we can avoid both types of accumulation and we are pleased to see that one of the stated objectives of the proposed International Development Association is to provide the means for greater utilization of such currencies.

We also are pleased to note that the underdeveloped countries, as well as the more developed areas, will be participants in important ways in the financing and constructive operation of the association, and that it will be under the management of the International Bank which has proven its capability in the field of financing worthwhile projects in underdeveloped areas. We think that one byproduct of the participation by such countries is that the accelerated use of many soft currencies may well be a strong contributing factor to increasing convertibility and acceptance.

We have on many occasions laid great emphasis upon our belief that maximum use must be made of private investment capital in underdeveloped areas and we are pleased to see that the association has as one of its objectives supplementing and facilitating such private investment. It would be our hope that the loan program could be directed toward the development of those basic facilities in underdeveloped areas which in themselves would not attract private investment but which would greatly facilitate the use of such investment for corollary purposes.

There has been much interest from time to time in a number of countries, and among certain groups in this country, for development of such organizations as SUNFED within the United Nations. We have consistently and vigorously opposed such an approach and will continue to do so on the basic grounds that economic development in the underdeveloped areas can best be achieved through the application of know-how by people trained in business, finance, and economics rather than by those most greatly influenced by political considerations of an international nature. We would hope that while the International Development Association might be brought into an area of cooperation with applicable United Nations agencies, every care should be taken to see that its active management and control remains with the International Bank and that its objectives remain economic rather than political.

It will be greatly appreciated if our views as stated above may be incorporated in the hearing record of your committee.

Sincerely,

HOMER L. BRINKLEY,
Executive Vice President.

WOMEN'S INTERNATIONAL LEAGUE FOR PEACE AND FREEDOM,
Washington, D.C., March 21, 1960.

HON. J. WILLIAM FULBRIGHT,
Chairman, Senate Committee on Foreign Relations,
Senate Office Building,
Washington, D.C.

DEAR SENATOR FULBRIGHT: The Women's International League for Peace and Freedom wishes to file the enclosed statement in the record of the hearings on the participation of the United States in the International Development Association

Sincerely yours,

Mrs. ANNALEE STEWART,
Legislative Secretary.

STATEMENT IN SUPPORT OF S. 3074 BY THE WOMEN'S INTERNATIONAL LEAGUE FOR
PEACE AND FREEDOM

The U.S. section of the Women's International League for Peace and Freedom supports S. 3074, providing for participation of the United States in the International Development Association, and wishes to congratulate Senator A. S. Mike Monroney for the imagination, initiative, and persistence which have brought this dream of his to reality. Our support is based on our belief that participation in the economic growth of the less-developed countries is a tangible expression of humanitarian ideals and is in the interest of our country's own continued economic growth. For these reasons we are happy to see opened this avenue of aid which is more nearly free from political implications than bilateral aid can be, and which helps to satisfy the need for development loans on more flexible terms than are provided by other international institutions. We note also that the absence of "buy American" restrictions on the initial subscriptions will enable this agency to contribute to a healthier international trade situation. The close affiliation with the International Bank for Reconstruction and Development should enable the association to impose conditions of sound economic policy in connection with its loans, without danger that these conditions will be misinterpreted as "political strings."

We have one important reservation concerning the International Development Association. This is the limitation of membership to the so-called free-world nations, a fact practically guaranteed by certain provisions of the articles of agreement and emphasized by the President and the National Advisory Council in their introduction of the articles of agreement. We regret that, at a time when urgent efforts are being made to end the cold war in the military field, it should be built into an important international economic institution. That most of the participating countries would have preferred a world body rather than a free-world body is shown by the overwhelming vote for a United Nations Capital Development Fund at the last session of the U.N. General Assembly (63 for and 12 abstaining). We understand the desire of the major capital-exporting nations to have a greater voice in the association than they would have had in the U.N. fund, but regret that the door should be closed in advance to the Russian bloc.

We are pleased to note that the articles of agreement make no mention of an ideological limitation of memberships and that the expected membership embraces democratic governments and authoritarian governments of the right and left, as well as many politically undeveloped countries not yet enjoying the attributes we associate with a free society. We think this is proper because it is our belief, based on recent history, that economic development itself will prepare the way for, and generate, social forces compelling governments to grant wider participation in government and greater individual freedom of choice. Many scholars and research groups have pointed to the desirability of treating economic development as a goal in its own right and not as a political weapon. The door should be kept open for the Soviet Union to join in this task if and when it is ready. Furthermore, we doubt that acceptance by the American people requires that an association of this kind be made to appear as a coalition of democratic nations.

While calling attention to this serious defect in its structure, which we hope may be corrected, we nevertheless support U.S. participation in the International Development Association.

AMERICAN MERCHANT MARINE INSTITUTE, INC.,
Washington, D.C., March 18, 1960.

HON. J. W. FULBRIGHT,
Chairman, Foreign Relations Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR FULBRIGHT: S. 3074, now before your committee, is a bill to provide for the participation of the United States in the International Development Association. The Association is a proposed billion dollar international lending organization which would operate as an affiliate of the International Bank for Reconstruction and Development. There is one aspect of this proposed organization, as discussed below, which we believe to be detrimental to the best interests of the United States. This aspect has not, to our knowledge, been analyzed or faced up to in any of the deliberations which have preceded the proposals now before Congress. For this reason we believe that careful consideration is indicated.

The objective of the proposed international lending association is to furnish a medium for providing developmental loans on terms which are more flexible than conventional loans available through the International Bank. It is, in effect, an international copy of our Development Loan Fund, and bears much the same relationship to the objective and programs of the International Bank as does our Development Loan Fund to the objectives and programs of our International Cooperation Administration. We, of course, are in sympathy with such objectives.

The concept underlying an international approach to the financing of assistance for underdeveloped countries is a laudable one. We find that certain of those countries which the United States has helped to regain their own feet are now able to join with us in helping others. This is also reflected in other foreign assistance proposals such as the billion dollar Indus Basin project contained in pending mutual security legislation. Such proposals create a picture that the burden of underwriting foreign assistance will now be shared. However, in the process of distributing this burden the funds which the United States would otherwise be administering in its own name would be relinquished for administration by an international association in lieu of the controls and procedures established by Congress for mutual security programs. Moreover, at least for the present, it would not appear that these international programs will result in any material lessening of the total outlay of funds required by the United States for foreign assistance overall. Thus, it may well be found that the primary accomplishment is the transfer to an international entity of the administration and control of U.S. foreign assistance funds. Whether the method of administration by such international entity is in the best interests of the United States is the question at hand.

This then is our concern. Under our bilateral mutual security programs, U.S. labor and industry have benefited along with the recipient nations. During the early stages of our mutual security endeavors, almost all procurement was obtained from the United States. This favorable condition has dwindled steadily until at present less than half of our mutual security expenditures result in procurement from the United States. It is a well-known fact that this has had its effect on our balance of payments, and that in recent months it has been necessary to take administrative steps to slow down the almost 100 percent offshore procurement which was taking place under the development loan programs. Since this situation has developed under conditions where the United States has had control over its own assistance funds, we feel sure our concern can be readily understood that, lacking some direction from Congress over the use of U.S. funds contributed for international lending, there will be little or no procurement from the United States.

An examination of the articles of agreement of the International Development Association reveals that any U.S. control over the use of U.S. funds is not only not intended but it is specifically precluded. The United States, which would be contributing 32 percent of the capitalization of the Association, and over 40 percent of the total contribution of all participants in unrestricted funds, is asked to make all of its contribution in unrestricted funds. On the other hand, those nations which are making token contributions for the purpose of sharing in the benefits of the Association may place restrictions on the use of their funds up to 90 percent of their contribution. Moreover, article V(f) of the agreement, concerning the use of resources, provides as follows:

"(f) The Association shall impose no conditions that the proceeds of its financing shall be spent in the territories of any particular member or members. The foregoing shall not preclude the Association from complying with any restrictions on the use of funds imposed in accordance with the provisions of these articles, including restrictions attached to supplementary resources pursuant to agreement between the Association and the contributor."

The above recognizes the restrictions which may be put on the use of funds by the small contributors, but prohibits the imposition of conditions by the United States and some others.

The U.S. shipping industry, together with its thousands of personnel, has been one of the many U.S. industries which has benefited from our mutual security programs. As a related aspect of these programs, the Congress has provided that 50 percent of the commodities or materials procured with Government assistance funds shall be moved overseas by U.S.-flag commercial vessels. There will be little or no such opportunity for U.S.-flag ships to participate in the programs of the International Development Association as presently conceived. We will, in fact, be hit two ways. First, the relinquishment of all control to the international association will mean less overall procurement from the United States; and second, we will lose the reasonable participation (which Congress has assured to us) in the ocean transportation of such reduced procurement as may be made from the United States, even though such procurement is made with U.S. contributed funds.

The above considerations reflect a very serious problem, and we would urge that every effort be made to develop some protection for U.S. industry and labor affected. We are not opposed to the concept of multilateral assistance as such. We do believe, however, that some method must be developed whereunder a reasonable proportion of the financial outgo for such multilateral programs can be kept under the control and direction of the United States, and utilized in accordance with policies adopted by the United States for its own foreign assistance programs.

It is requested that this letter be included in the record of this legislation.

Sincerely yours,

ALVIN SHAPIRO.

NATIONAL GRANGE,

Washington, D.C., March 18, 1960.

Re Grange support in principle of S. 3074.

Hon. J. W. FULBRIGHT,
Chairman, Senate Foreign Relations Committee,
Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The National Grange supports in principle S. 3074, which provides for U.S. membership in the proposed International Development Association. The IDA will be an affiliate of the International Bank. This Bank, we believe, has made an impressive global record in the furtherance of the economic development of many countries. The resources of the International Bank have been applied skillfully, with the view toward improving the economic base of the borrowing country. In addition, Bank technicians provide valuable services to these countries in connection with specific development problems and also in the consideration of broad economic questions.

It is our opinion that the Bank is achieving these results in a manner consistent with the best interests of the United States. The importance of U.S. participation and leadership, too, in the International Bank is widely recognized and gives proof to the genuine interest within this country in working with all free people cooperatively for economic advancement and mutual well-being.

The strength of the free world depends in a very real way on the balanced growth of mutually advantageous international trade and private investment. The achievement of this growth requires the constant attention of all countries. Primary reliance must be placed upon private enterprise which produces the soundest and most enduring benefits for all. It is in the self-interest of the economically strong nations that they support and assist the less developed countries of the free world. The International Bank, which brings together 68 nations in every stage of development and from all regions, is a primary hub around which the countries of the free world work together to promote economic growth and development. The Bank does not compete with private capital. It devotes its resources to projects which open the way for more private opportunities. It relies primarily upon the private capital markets for its own

resources and in this way serves to increase the effective amount of private capital available to the less developed countries.

The International Development Association, meanwhile, under the terms of its articles of agreement, may make its resources available only when private capital is not available on reasonable terms, and in addition, only when financing could not be provided by a loan of the type made by the Bank itself.

The proposal for an International Development Association grew out of the recognition that credit needs for sound development cannot be met in certain significant cases by the International Bank. The Bank has the experience and the technical know-how to do more in this field, but its resources can be made available only on terms related to private capital market terms. A need was seen therefore for a new institutional arrangement, financially separate from the International Bank but governed by the same officers and served by the same staff. Broad international acceptance of the proposal grew, and the detailed arrangements have been set forth in the articles of agreement of the IDA.

Essential to the success of the proposal is the readiness of the other industrialized nations of the free world to provide an important and equitable portion of the resources of the IDA. These resources will be provided from Government budgets. The negotiations which have been completed so successfully demonstrate that the burden which the United States has borne almost alone is now to be taken up in part by others. We hope that this new and responsible action through the IDA will mark only the beginning.

The National Grange has in the past made clear its belief that the achievement of a nation's own aspirations is basically its own responsibility. Assistance in achieving economic progress, if it is to be effective and if genuine results are to be obtained, should be dependent upon a firm desire and determination by the recipient nation to help itself within the limits of its capabilities. This concept is well embodied in the IDA proposal. All member countries will subscribe to its initial resources. The economically less developed members have subscriptions totaling about \$237 million, 10 percent of which will be in the form of gold or convertible currencies and 90 percent in their own national currencies. The convertible currency portion will be made available to the IDA on the same basis as the total subscriptions of the economically stronger members: for use in connection with IDA projects in any member territory. The national currency portion of the subscriptions of less developed members may be used by the IDA for the purchase of goods and services for development projects within the subscribing member's country, and, with the agreement of the subscribing member, for projects in other countries. The principle of self-help is therefore an essential feature of the IDA.

American farm producers recognize the importance of the sale of agricultural commodities for foreign currencies under Public Law 480. The more effectively such foreign currencies are used, the greater will be the effectiveness of the Public Law 480 program, and the greater the benefit to the United States. In this connection the National Grange has urged that still greater use of such currencies be made directly for market development programs for the benefit of American agriculture. More broadly, however, we believe that the careful use of these currencies through an international institution for the promotion of economic development in many fields of endeavor will result in higher world trade and in higher consumption generally. The provision in the IDA articles which will permit the United States to make some of these currencies available as supplementary resources is consistent with the objectives of the Public Law 480 program. IDA thus represents an additional outlet for such currencies as are allocated for economic development purposes. The use by IDA of a portion of these currencies will help conserve its hard-currency resources which is, of course, of direct importance to the United States as well as to other member countries.

The IDA, through its ability to make its resources available on flexible terms, will be able to work with countries in especially critical financial positions which have heretofore been able to obtain little, if any, international financing. In addition, IDA will be enabled to provide an important margin of assistance to its members whose foreign indebtedness weighs especially heavy, or who need special assistance for development projects which might not themselves quickly yield monetary returns, but which provide opportunities for important productive enterprises. Its close affiliation with the International Bank provides adequate assurance that the resources of IDA will complement those of the International Bank. This affiliation will also permit the two institutions to undertake joint operations.

We believe the IDA will be an effective new institution which will meet needs of the most pressing character in the less developed areas. IDA is imaginative in concept, and is well suited to demonstrate the confidence of the economically stronger nations of the free world in the capabilities of the weaker nations and to demonstrate our continued sympathy with and support for their aspirations. The objectives and purposes of the IDA are fully consistent with our own foreign economic policies. These policies are and must always be founded on the conviction that individual initiative within a framework of free institutions will best serve society. The IDA will provide greater opportunities to less developed areas for economic advancement based on these principles. U.S. leadership in the IDA will further emphasize our awareness of their needs.

For these and other reasons, the Grange urges you and the members of your committee to recommend to the Congress that it approve the idea of the International Development Association along the lines spelled out in S. 3074.

Respectfully yours,

HERSCHEL D. NEWSOM, *Master.*

NATIONAL COUNCIL OF THE
CHURCHES OF CHRIST IN THE U.S.A.
New York, N.Y., March 23, 1960.

HON. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

GENTLEMEN: This is to request that the statement herewith on behalf of the National Council of Churches be made a part of the record of your current hearings on the proposal for an International Development Association (S. 3074).

We shall appreciate your consideration of this request and, if possible, your acceptance of the request and the statement.

Sincerely yours,

KENNETH L. MAXWELL, *Executive Director.*

STATEMENT SUBMITTED IN BEHALF OF THE NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A. BY KENNETH L. MAXWELL, EXECUTIVE DIRECTOR

This statement has been authorized by the responsible officers of the National Council of Churches and is based upon the official policies and practices of the council.

In presenting statements to Government agencies, the National Council of Churches never presumes to speak for each of the 33 constituent denominations nor for each of their more than 38 million members. We do present official positions adopted by the general board or the general assembly, which are its policy-making bodies. These positions are arrived at through careful study and deliberation by the official representatives of the constituent denominations.

The National Council of Churches does not seek to express its approval or disapproval of specific congressional bills as such. It presents the principles expressed in its official statements of policy which are most relevant to specific proposals.

The position of the National Council of Churches on issues involved in the proposal for the International Development Association are as follows:

"As Christians we feel compelled to give our special support to the further development of foreign economic policies of the United States which will reflect our interest in man's welfare in other countries, as well as our own. We believe that constructive policies of international aid and trade are essential to the creation of conditions of peace with justice and freedom.

"The natural wealth of the world and the capacity to transform raw materials into desirable goods are not evenly distributed among nations. Our own country is richly endowed and highly developed. Some countries may be able to produce many commodities efficiently but have shortages in other essentials. Still other lands have such a low level of production that most of their citizens live in poverty, disease, and illiteracy. These nations are all in our world and their people are all in God's concern. As Christians, we cannot help but be distressed by human misery and misfortune wherever it may be, and seek appropriate ways by private and public means to promote the welfare of our fellow men.

"We recognize that trade alone will not enable underdeveloped countries to realize their potentialities for economic growth and social progress including freedom. Both private and public aid, in the form of technical cooperation and capital, is indispensable. Assistance on long-time capital loans on favorable terms and capital grants, on a more limited basis, will be needed over a longer period of time to enable such areas to establish their own economies and their place in the world market. Greater use should be made of international agencies, such as the United Nations and regional organizations. Technical and economic aid, while related to other parts of foreign policy, should not be primarily for political and military considerations, but for the purpose of helping people to meet economic and social needs and opportunities."

The quotations above are excerpts from "International Aid and Trade," a statement of policy adopted by the General Assembly of the National Council of the Churches of Christ in the U.S.A., December 1-6, 1957. That was the last meeting of our general assembly, which meets triennially. Subsequent votes of the general board and authorized activities of our department of international affairs in both education and action have carried forward this general position.

At the present time, our cooperating churches are conducting a Nationwide Program of Education and Action for Peace across the 50 States of our land, under the aegis of our department of international affairs, and one of the major emphases is on world economic development, dealing with the specifics of mutual aid and trade. There has been much discussion in this program of the proposal for the International Development Association and firsthand observers report that the reaction has been universally favorable to such an undertaking after the matter has been clearly presented and fully discussed. It is our conviction that through and following this program there will be increasing support among the people of our churches for improved, expanded programs for world economic development, including various kinds of constructive mutual aid and trade.

We trust that this statement of official positions, of some of our educational work in this field, and of firsthand observations among our constituency across the United States will be of value to your committee in its important deliberations and action on the proposed International Development Association.

UNITED CHURCH WOMEN,
NATIONAL COUNCIL OF THE
CHURCHES OF CHRIST IN THE U.S.A.,
New York, N.Y., March 22, 1960.

Hon. J. W. FULBRIGHT,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR FULBRIGHT: In view of the fact that S. 3074, providing for U.S. participation in the International Development Association, is being considered by the Senate Foreign Relations Committee, I would like to bring to your attention a resolution which was adopted recently by the administrative committee of the United Church Women.

United Church Women, a general department of the National Council of the Churches of Christ in the U.S.A. has 2,300 local and State councils made up of women representing the 33 affiliated denominations.

The Christian World Relations Advisory Committee, after study of the proposed International Development Association, recommended support for U.S. participation. The administrative committee, made up of our national leaders, at their meeting on February 3, 1960, adopted the following resolution.

"Remembering that United Church Women has repeatedly endorsed programs aimed toward economic development;

"Noting the new emphasis on cooperative responsibility among the industrialized countries in carrying forward new programs to promote economic development;

"The administrative committee endorses the ratification by the Senate of the International Development Association as part of this new planning—

"Takes note of this changing emphasis to a long-term attack on poverty through assistance to promote economic growth in the low-income areas of the non-Communist world;

"And urges local councils to help create the public opinion to shift from an attitude of philanthropy to one of sharing and widespread understanding of the need for greatly increased assistance in cooperation with other countries to meet human need in the developing areas of the world."

United Church Women, over a period of years, has studied the problems of the less developed areas, has published a pamphlet and a leaflet on this subject, and has made available through the pages of its monthly magazine many articles on related questions. An article on the International Development Association appears in the magazine which is now in the hands of 35,000 local chairmen and officers.

The above resolution is in line with action which has been taken by United Church Women consistently in support of measures to promote economic growth.

I believe that the resolution adopted by the Administrative Committee of United Church Women fairly interprets the informed opinion of women in the churches affiliated with the local councils in every State. It is hoped that support for U.S. participation in the International Development Association will be forthcoming by the Senate Foreign Relations Committee.

Thanking you for the consideration of the position expressed in the resolution adopted by the Administrative Committee of the United Church Women, I am

Sincerely yours,

ESTHER W. HYMER,
Director, Christian World Relations.

THE UNITED CHRISTIAN MISSIONARY SOCIETY,
Indianapolis, Ind., March 21, 1960.

HON. J. WILLIAM FULBRIGHT,
*Senate Foreign Relations Committee,
Senate Office Building, Washington, D.C.*

DEAR MR. FULBRIGHT: I understand that your committee is presently considering legislation which would permit U.S. participation in the International Development Association. The principles upon which IDA is promulgated have frequently been endorsed by the International Convention of Christian Churches (Disciples of Christ). Therefore, we write to support in principle an organization such as IDA.

IDA would do several things in the field of international economic development that seem to us desirable. First of all, it provides long-term, low-interest loans to the underdeveloped areas of the world. Secondly, the multilateral nature of the program appeals to us. The participation of all of the countries associated with the World Bank in IDA will make it possible to give badly needed assistance without some of the cold war complications that are inherent in bilateral foreign aid program.

In 1954 our International Convention meeting in Miami passed a resolution containing the following statements on world economic development:

"1. We recommend to the U.S. Government that it maintain and strengthen the original idea of technical assistance carried out apart from defense measures and department and that such a program be conceived as a long-term effort rather than as an emergency measure.

"2. We strongly favor the multilateral technical assistance program of the United Nations and urge our Government to provide it with increasingly financial support."

Our convention meeting in St. Louis in 1958 said on the subject of world economic development:

"WORLD ECONOMIC DEVELOPMENT

"The economic development of underprivileged areas is one of the ways in which poverty may be lessened in the world. Technical assistance programs which aid in lifting levels of technological skill may be of real help in improving the life of the people of the underdeveloped areas. Capital funds in the form of grants or loans are often needed to realize the greatest benefit from economic development programs. In many instances multilateral programs of economic assistance are to be preferred over bilateral arrangements. There is certainly no general rule at this point, however. Two things seem certain—that economic assistance programs should be separated from military aid and development programs; and that assistance should be granted with only such stipulations attached as are designed to see to it that assistance reaches people who are actually in need, rather than political fortune hunters. The use of such economic programs as diplomatic weapons is to be deplored."

In closing we would like to urge your most serious consideration of U.S. participation in the International Development Association.

Cordially,

ROBERT A. FANGMEIER,
National Director, Christian Citizenship.

The CHAIRMAN. I would announce to the committee that tomorrow morning at 10 o'clock in this room the Secretary of State will be heard on the mutual security program.

The committee is adjourned.

(Whereupon, at 1 p.m., the hearing was adjourned.)

×

LEGISLATIVE HISTORY

Public Law 86-565

H. R. 11001

TABLE OF CONTENTS

Index and summary of H. R. 110011
Digest of Public Law 86-5652

INDEX AND SUMMARY OF H. R. 11001

Feb. 18, 1960	Both Houses received President's message on the proposed International Development Association. H. Doc. 345. Print of document.
Feb. 19, 1960	Sen. Fulbright introduced and discussed S. 3074 which was referred to the Senate Foreign Relations Committee. Print of bill and remarks of Sen. Fulbright.
Mar. 9, 1960	Rep. Spence introduced H. R. 11001 which was referred to the House Banking and Currency Committee. Print of bill as introduced.
Apr. 13, 1960	House subcommittee voted to report H. R. 11001 to the full committee.
May 9, 1960	Senate committee voted to report (but did not actually report) S. 3074.
May 13, 1960	Senate committee reported S. 3074 without amendment. S. Report No. 1349. Print of bill and report.
May 26, 1960	Senate passed over S. 3074 at the request of Sen. Bartlett.
June 2, 1960	Senate passed S. 3074 with an amendment. House committee voted to report (but did not actually report) H. R. 11001.
June 8, 1960	House committee reported H. R. 11001 without amendment. H. Report No. 1766. Print of bill and report.
June 22, 1960	Rules Committee granted an open rule with two hours debate on H. R. 11001.
June 25, 1960	Rules Committee reported a resolution for the consideration of H. R. 11001. H. Res. 571, H. Report No. 1991.
June 28, 1960	House began debate on H. R. 11001.
June 29, 1960	House passed H. R. 11001 without amendment. Senate passed H. R. 11001 without amendment (in lieu of S. 3074). S. 3074 laid on table due to passage of H. R. 11001.
June 30, 1960	Approved: Public Law 86-565.

DIGEST OF PUBLIC LAW 86-565

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT. Authorizes United States membership in the International Development Association to provide development financing to the less developed countries of the free world. Authorizes the appropriation of \$320,290,000 for the subscription of the United States to the Association.

Feb 18, 1960

peace program." p. 2676

Rep. Poage and others discussed the provisions of the proposed "Family Farm Act of 1960," which its proponents say would raise farm income, reduce surpluses, and slash Government costs. The provisions of the bill include: payment in kind for non-production to be taken from CCC storage, national referendum of producers in determining marketing orders and other commodity-stabilization procedures, a soil bank feature limited to 40% of farm land for each farm, a distribution of high-protein foods to schools and needy persons, and a food for peace program. pp. 2687-99

Rep. Hoeven inserted the text of Secretary Benson's testimony before the House Agriculture Committee, calling it "a most comprehensive and imperative statement regarding our agricultural accomplishments and achievements." pp. 2712-8

13. INTERNATIONAL DEVELOPMENT ASSN. Both Houses received the President's message recommending legislation authorizing U. S. membership and providing for payment of subscription obligations in this organization which will provide development capital that cannot be secured through normal channels to less developed countries. pp. 2711, 2595 (H. Doc. 345).
14. LEGISLATIVE PROGRAM. Rep. Albert stated that the legislative program for next week would include for Tuesday the Treasury and Post Office Departments appropriation bill. p. 2668
15. ADJOURNED until Mon., Feb. 22. p. 2721

ITEMS IN APPENDIX

16. FARM PROGRAM. Extension of remarks of Rep. Wharton inserting a constituent's letter in response to his questionnaire on farm problems. pp. A1354-5
Rep. Michel inserted an article, "Fading Futures" Grain Traders Worry That U. S. Crops Are Killing Markets -- Wheat, Corn Activity Drops On Board of Trade; Some Dealers Leave the Field." pp. A1375-6
Rep. Michel inserted an article, "Freedom Versus Coercion -- Farm Group Bucks Subsidies." p. A1377
Extension of remarks of Rep. Pelly discussing the results of his questionnaire and stating that replies indicate that "the ratio is about 9 to 1 in favor of reduction in agriculture price supports," and inserting correspondence favoring his proposed bill to abolish price supports. pp. A1393-4
17. FOOD-FOR-PEACE. Extension of remarks of Rep. Sullivan stating that Sen. Hennings joins her in support of food-stamp plans and advocates the use of surplus commodities for the food-for-peace proposal. p. A1357
18. CONSERVATION. Sen. Hart inserted an editorial in support of his testimony before the Senate Interior and Insular Affairs Committee favoring the conservation, development, and utilization of natural resources. p. A1357
Rep. Dingell inserted an article, "Water Resources Called Vital To All." pp. A1376-7
Rep. Bennett inserted resolutions adopted by the Miss. Valley Ass'n endorsing a comprehensive program for waterways development. pp. A1381-2
19. INTEREST RATES. Extension of remarks of Sen. Wiley urging Congress to give consideration to the President's request for lifting the interest rate on long-term issues of bonds. p. A1360

Extension of remarks of Rep. Moore favoring this proposal and inserting an article on this subject. pp. A1387-8

20. GRAIN STORAGE. Extension of remarks of Rep. Levering stating that if the proposed Family Farm Income Act of 1960 "accomplishes nothing more than the solution of the government surplus storage problem, which we earnestly believe it will do, it certainly should merit the serious consideration of every member of the House." p. A1368
21. WEATHER RESEARCH. Extension of remarks of Sen. Wiley discussing the importance of weather research, and inserting his letter to the Senate Appropriation Subcommittee on the Commerce Department and related agencies urging the restoration of \$775,000 which the House had cut from the "President's recommendations for funds to expand weather research and control projects." pp. A1371-2
22. SUGAR. Rep. Daddario inserted a newspaper article, "Havana -- The New 'Sugar Daddy' From Moscow," discussing the problems raised by the recent agreement for the sale of Cuban sugar to Russia. p. A1384
23. COOPERATIVES. Rep. Curtis inserted a Wall Street Journal article, "The Growth of Co-ops," stating that the "nation's co-ops are under heavy attack in Congress right now -- and properly so -- on the ground that they don't pay their fair share of taxes." p. A1392

BILLS INTRODUCED

24. RECLAMATION. S. 3063, by Sen. Morse (for himself and Sen. Neuberger), and 10552, by Rep. Ullman, to authorize the Secretary of the Interior to construct, operate, and maintain the upper division of the Baker Federal reclamation project, Oregon; to Senate and House Interior and Insular Affairs Committees. Remarks of Sen. Morse. pp. 2648-9
25. FOREIGN TRADE. H. R. 10533, by Rep. Bailey, to amend the Tariff Act of 1930; to Ways and Means Committee.
H. R. 10537, by Rep. Halpern, and H. R. 10551, by Rep. Sullivan, to prohibit agencies of the United States from imposing contractual provisions boycotting vessels trading with Israel; to Merchant Marine and Fisheries Committee.
H. R. 10550, by Rep. Spence, to extend the Export Control Act of 1949 for two additional years; to Banking and Currency Committee.
26. FOREIGN AFFAIRS. H. R. 10556, by Rep. Johnson, Colo., and H. R. 10557, by Rep. Kastenmeier, to create and prescribe the functions of a National Peace Agency; to Foreign Affairs Committee. Remarks of Rep. Kastenmeier. pp. 2720-1
27. LIBRARY SERVICES. H. R. 10535, by Rep. Conte, to amend the Library Services Act in order to extend for 5 years the authorizations for appropriations; to Education and Labor Committee. Remarks of author. p. 2680
28. PERSONNEL. H. R. 10538, by Rep. Holtzman, to adjust the rates of basic compensation of certain officers and employees of the Federal Government; to Post Office and Civil Service Committee. Remarks of author. pp. A1397-8
29. RESEARCH. H. R. 10546, by Rep. Oliver, to establish a public policy with respect to oceanographic surveys, and to provide for coordination of efforts of

SPECIAL REPORT
OF THE NATIONAL ADVISORY COUNCIL
ON THE PROPOSED INTERNATIONAL
DEVELOPMENT ASSOCIATION

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RELATIVE TO

A SPECIAL REPORT OF THE NATIONAL ADVISORY
COUNCIL ON THE PROPOSED INTERNATIONAL
DEVELOPMENT ASSOCIATION



FEBRUARY 18, 1960.—Referred to the Committee on Foreign Affairs
and ordered to be printed

MARCH 9, 1960.—The Committee on Foreign Affairs discharged and
referred to the Committee on Banking and Currency

UNITED STATES
GOVERNMENT PRINTING OFFICE

LETTER OF TRANSMITTAL

To the Congress of the United States:

I herewith submit to the Congress the Articles of Agreement for the establishment of the International Development Association. I recommend legislation authorizing U.S. membership in the Association and providing for payment of the subscription obligations prescribed in the Articles of Agreement.

The Association is designed to assist the less-developed countries of the free world by increasing the flow of development capital on flexible terms. The advisability of such an institution was proposed by Senate Resolution 264 of 1958. Following this Resolution, the National Advisory Council on International Monetary and Financial Problems undertook a study of the question. The Council's conclusions and the favorable response of representatives of other governments who were consulted during the course of the study have resulted in the Articles of Agreement which satisfy the objectives of that Resolution and which I am submitting herewith. The accompanying Special Report of the Council describes the Articles in detail.

We all know that every country needs capital for growth but that the needs are greatest where income and savings are low. The less-developed countries need to secure from abroad large amounts of capital equipment to help in their development. Some part of this they can purchase with their current savings, some part they can borrow on conventional terms, and some part is provided by private foreign investors. But in many less-developed countries, the need for capital imports exceeds the amounts they can reasonably hope to secure through normal channels. The Association is a multilateral institution designed to provide a margin of finance that will allow them to go forward with sound projects that do not fully qualify for conventional loans.

In many messages to the Congress, I have emphasized the clear interest of the United States in the economic growth of the less-developed countries. Because of this fundamental truth the people of our country are attempting in a number of ways to promote such growth. Technical and economic aid is supplied under the Mutual Security Program. In addition, many projects are assisted by loans from the Export-Import Bank, and we also participate with other free-world countries in the International Bank for Reconstruction and Development, which is doing so much to channel funds, mainly from private sources, to the less-developed areas. While we have joined with the other American Republics in the Inter-American Development Bank, there is no wide international institution which, like our Development Loan Fund, can help finance sound projects requiring a broad flexibility in repayment terms, including repayment in the borrower's currency.

Conceived to meet this need, the International Development Association represents a joint determination by the economically advanced countries to help accelerate progress in the less-developed countries. It is highly gratifying that so many other free-world countries are now ready to join with us in this objective.

The Association is a cooperative venture, to be financed by the member governments of the International Bank. It is to have initial subscriptions totaling \$1 billion, of which the subscription of the United States would be \$320.29 million and the subscriptions of the other economically strong countries would be \$442.78 million. The funds made available by these countries would be freely convertible. The developing countries would subscribe \$236.93 million, of which 10 percent would be freely convertible. Members would pay their subscriptions over a 5-year period and would periodically reexamine the adequacy of the Association's resources.

The International Development Association thus establishes a mechanism whereby other nations can join in the task of providing capital to the less-developed areas on a flexible basis. Contribution by the less-developed countries themselves, moreover, is a desirable element of this new institution. In addition, the Association may accept supplementary resources provided by one member in the currency of another member. Thus, some part of the foreign currencies acquired by the United States primarily from its sales of surplus agricultural commodities may be made available to the Association when desirable and agreed to by the member whose currency is involved.

The Articles of Agreement give the Association considerable scope in its lending operations so that it can respond to the varied needs of its members. And because it is to be an affiliate of the International Bank, it will benefit from the long and successful lending experience of the Bank. By combining the Bank's high standards with flexible repayment terms, it can help finance sound projects that cannot be undertaken by existing sources. With a framework that safeguards existing institutions and traditional forms of finance, the Association can both supplement and facilitate private investment. It will provide an extra margin of capital that can give further momentum to growth in the developing countries on terms that will not overburden their economies and their repayment capacities.

The peoples of the world will grow in freedom, toleration, and respect for human dignity as they achieve reasonable economic and social progress under a free system. The further advance of the less-developed areas is of major importance to the nations of the free world, and the Association provides an international institution through which we may all effectively cooperate toward this end. It will perform a valuable service in promoting the economic growth and cohesion of the free world. I am convinced that participation by the United States is necessary, and I urge the Congress to act promptly to authorize the United States to join with the other free nations in the establishment of the Association.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, *February 18, 1960.*

NATIONAL ADVISORY COUNCIL ON
INTERNATIONAL MONETARY
AND FINANCIAL PROBLEMS
SPECIAL REPORT
TO THE PRESIDENT AND TO
THE CONGRESS
ON THE PROPOSED
INTERNATIONAL DEVELOPMENT ASSOCIATION
FEBRUARY 1960

CONTENTS

I. Recommendation.....	Page 1
II. Introduction.....	1
III. Background of the proposal.....	3
Legislative history.....	3
Executive branch activities.....	4
IV. The proposal.....	5
V. U.S. financial participation in the International Development Association's resources.....	6
VI. Possible transfers of U.S.-owned foreign currencies to the International Development Association.....	8
VII. Entry into force and beginning of operations.....	9
VIII. Conclusion.....	10

TABLE

International Development Association: U.S. subscription payments.....	7
--	---

ANNEX

Report of the Executive Directors of the International Bank on the Articles of Agreement of the International Development Association.....	16
Articles of Agreement of the International Development Association.....	23

SPECIAL REPORT OF THE NATIONAL ADVISORY COUNCIL ON THE PROPOSED INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

I. RECOMMENDATION

The National Advisory Council recommends to the President and to the Congress that the United States accept membership in the International Development Association (IDA) under the terms of the proposed Articles of Agreement of the Association, which are set forth in the annex to this report. The Council believes that the proposed Association can make an important contribution to the economic strength and cohesion of the free world, and that early acceptance of membership by the United States and the provision of the necessary funds are essential to its establishment.

II. INTRODUCTION

In July 1958, the Senate suggested that the Council study the desirability of establishing an affiliate of the International Bank for Reconstruction and Development to make loans for the economic development of the less-developed areas of the world on terms more favorable to the borrowing countries than the usual Bank terms.¹ The further advance of the developing areas of the free world is a matter of importance to all countries in the free world. These less developed countries, largely because of the lack of capital, have not been able to realize their economic potential. If their own efforts to achieve economic growth under conditions of freedom are to succeed, the less developed countries must look to further help from the economically stronger free nations. International assistance provided to them by the other free nations of the world gives them the hope and assurance that they can move forward in the framework of free institutions.

It must be recognized, however, that the reasonable requirements for international developmental capital cannot be satisfied in many of these countries through private investment from the more developed countries or from loans made on the usual terms by national or international public lending bodies. The International Development Association is designed to meet some of these needs.

The International Bank for Reconstruction and Development, which has made such a notable contribution to the economic development of its members, now finances its operations almost entirely by borrowing in capital markets. Accordingly, its loans must carry rates of interest sufficient to cover the Bank's own interest and administrative cost and to provide reserves against the possibility of default.

¹ See sec. III below.

The term of its loans must be related, though less directly, to the maturity at which the Bank itself borrows. It must receive payment in the currencies lent. The Bank cannot prudently lend unless there is the probability that borrowers can service loans on the terms required by the conditions of the Bank's operations.

The Export-Import Bank, as a foreign lending institution of the United States, makes development loans on terms comparable to those of the International Bank. Its development loans are repayable in dollars and the Bank must have reasonable assurance of repayment on the terms which the Bank can offer under its policies.

Some of the less-developed countries cannot realistically expect at the present time to borrow from these institutions, while others need capital in addition to what they can borrow and service on the usual terms. The Development Loan Fund, a U.S. institution, as well as the proposed International Development Association, may make loans on terms which place less burden on the balance of payments of borrowers than loans from other sources. Most Development Loan Fund loans are repayable in the borrower's currency. The International Development Association also will have considerable flexibility in its lending operations, so as to enable it to deal with the special situations of borrowers. For example, the Association may make loans repayable in the borrower's currency, or repayable in hard currency on easier terms than are available from the banks making loans for development purposes.

In the view of the Council, the International Development Association would complement, on an international basis, the activities of the Development Loan Fund in the bilateral field. The Development Loan Fund, established within the context of the Mutual Security Program, operates under the supervision and foreign policy guidance of the Secretary of State. Its resources are provided entirely by the United States. Though there are limits to the amount of financing on flexible terms which other countries are prepared to provide through international institutions at this time, the International Development Association marks a significant forward step in that other countries will provide a larger part of its resources than the United States.

U.S. participation in the operations of the International Development Association will require careful coordination with U.S. participation in other international institutions and with U.S. agencies. The Council believes it would be appropriate that its authority, now exercised under the Bretton Woods Agreements Act, be extended to include the U.S. representatives on the International Development Association.

The International Development Association is proposed as an international cooperative venture. All the countries of the free world have a stake in the economic growth of its less-developed members. The United States, by virtue of its size and strength, has an important role to play in helping to meet the capital requirements of the less-developed nations. The other economically more advanced countries, particularly in Europe, have moved to a position of economic and financial strength after their recovery from the effects of the Second World War, and are now in a position to provide substantial financing for economic development abroad. While it may be expected that they will increase their individual activities in this direction, the

International Development Association is proposed as a joint effort in which the other economically stronger countries of the free world are to contribute in total a larger proportion of the available funds than the United States. The Association would provide a means of channeling resources of the more highly developed countries into the constructive work of investing capital in the less-developed countries.

The International Development Association will be closely affiliated with the International Bank and will benefit from the Bank's experience. The Articles of Agreement have been drawn up by the Executive Directors of the Bank and, in the view of the Council, they represent a highly desirable agreement which the United States should fully support.

III. BACKGROUND OF THE PROPOSAL

LEGISLATIVE HISTORY

The formal legislative history of the International Development Association proposal dates from February 24, 1958, when Senator A. S. Mike Monroney, of Oklahoma, introduced a resolution (S. Res. 264, 85th Cong., 2d sess.) calling for the establishment of a new institution in the field of international development financing. Hearings on the resolution were held March 18-20, 1958, by the Subcommittee on International Finance of the Senate Committee on Banking and Currency, at which Secretary of the Treasury Anderson, Under Secretary of State for Economic Affairs Dillon, Assistant Secretary of Commerce Kearns, Assistant Secretary of Agriculture Paarlberg, and representatives of the Bureau of the Budget and the International Cooperation Administration testified.

Testimony of the executive branch witnesses on key aspects of the question outlined certain problems in effectively utilizing the currencies of less-developed countries to spur further development, and made clear the necessity of widespread support of the institution by countries in a position to contribute substantial amounts of hard currency. It was further pointed out that replenishment of the hard currency funds available to the institution would probably be required at intervals in the future.

Government witnesses indicated they would be in favor of a study of the IDA concept within the executive branch, to be conducted by the National Advisory Council. A revised resolution, recommending such a study and specifically characterizing the proposed institution as an affiliate of the International Bank, was favorably reported by the Banking and Currency Committee to the Senate on July 12, 1958. On July 23, 1958, the Senate adopted the resolution by a vote of 62 to 25. The text of the resolution is as follows:

Resolved, That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

- (1) Providing a source of long-term loans available at a reasonable rate of interest and repayable in local currencies, or partly in local currencies, to supplement International Bank lending activities and thereby permit the

prompt completion of worthwhile development projects which could not otherwise go forward.

(2) Facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

(3) Insuring that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

The National Advisory Council promptly undertook the study requested by the resolution. An interim report was made on January 16, 1959, to the Senate Foreign Relations Committee, which had received responsibility for consideration of the IDA proposal. On August 14, 1959, the Council submitted the report envisaged by the resolution.² This report recommended that the United States press forward with the International Development Association project and made public certain general guidelines which the Council felt should apply in the establishment of the organization.

EXECUTIVE BRANCH ACTIVITIES

In a letter to President Eisenhower in August 1958, shortly after the passage of Senate Resolution 264, Secretary Anderson suggested that he be authorized to undertake informal discussions with other member governments of the International Bank in order to determine their reactions to the proposed International Development Association. The President in his reply agreed that such discussions would be desirable, and that negotiations be undertaken looking toward establishment of the Association if it appeared from the discussions that this would be feasible. Accordingly, at the annual meeting of the Board of Governors of the International Bank, held in New Delhi, India, in October 1958, Secretary Anderson, as U.S. Governor of the Bank, and Under Secretary Dillon, as Alternate U.S. Governor, announced the United States willingness to discuss informally the question of setting up an IDA as an affiliate of the Bank. Many useful discussions were held during and immediately after the New Delhi meetings in which the views of interested countries on the Association were received.

During the remainder of 1958, and through the spring and early summer of 1959, work continued within the executive branch to bring into sharper focus some of the characteristics the United States thought appropriate for an institution such as the IDA. Concurrently with this process, there were further discussions with representatives of other governments. These discussions included staff conversations as well as exchanges at the Cabinet and sub-Cabinet level, both in Washington and in other capitals. U.S. representatives had frequent discussions with the Executive Directors of the International Bank.

During the summer of 1959, the National Advisory Council concluded that creation of an International Development Association was feasible and desirable, and that the best approach to its establishment would be to request the Executive Directors of the International Bank to draw up draft articles for the Association for submission to member governments. Accordingly, on July 31, 1959, the U.S. Governor addressed a letter to Mr. Eugene Black, President of the

² Report of the National Advisory Council on the proposed International Development Association. S. Doc. No. 45, 86th Cong., 1st sess.

Bank, in which he stated his intention of placing a resolution before the Board of Governors at the annual meeting in the fall calling upon the Executive Directors to study carefully the question of establishing an International Development Association and, if feasible, to formulate Articles of Agreement for appropriate submission to the member governments. The U.S. Governor's letter had attached to it a copy of the statement of general guidelines which the U.S. Government had prepared as a possible basis for discussion by the Executive Directors. The Bank forwarded the U.S. letter to all of the other Governors so that they might come to the annual meeting prepared to consider the U.S. resolution.

On October 1, 1959, at the final working session of the Bank's Board of Governors, the resolution introduced by the United States was unanimously adopted, as follows:

Resolved, That with respect to the question of creating an International Development Association as an affiliate of the Bank, the Executive Directors, having regard to the views expressed by Governors and considering the broad principles on which such an Association should be established and all other aspects of the matter, are requested to formulate articles of agreement of such an Association for submission to the member Governments of the Bank.

The Executive Directors of the Bank, in response to this request, promptly commenced their negotiations. The President of the Bank, Mr. Black, served as chairman of the negotiating sessions, which continued through the remainder of 1959 and into early 1960. Mr. T. Graydon Upton, Assistant Secretary of the Treasury, represented the United States in his capacity as U.S. Executive Director of the Bank. On January 26, 1960, the Directors approved the Articles of Agreement for submission to member governments.

IV. THE PROPOSAL

The Articles of Agreement for the proposed International Development Association, as prepared by the Board of Executive Directors of the International Bank and submitted to member governments, are reproduced in the annex to this report. The annex also contains a report prepared by the Executive Directors to accompany the Articles when submitted to governments. This report by the Executive Directors offers brief explanations on some of the principal features of the proposed institution. The Council wishes to point out, however, that the explanatory report does not constitute a part of the Articles themselves.

The Articles of Agreement would create a new international institution, the International Development Association, and constitute the Association's organic document. A brief statement of purposes is contained in article I. Article II relates to membership in the Association and the initial subscriptions which members are to make to its resources. In article III, provision is made for additions to the funds initially subscribed by members. The forms of such additions specifically provided for are: first, increases in subscriptions in the future and, second, the transfer to the Association of one member's currency by another member.

The uses which may be made of currency of members held by the Association are detailed in article IV. This article also makes provision for the maintenance by a member of the foreign exchange value

of its currency, under specified limitations, while held by the Association. Article V concerns the operations of the Association, including its geographic scope, the conditions which must be satisfied prior to its providing financing, the form and terms of financing, and its power to borrow and carry on other miscellaneous financial operations. The Association is also, in this article, barred from interfering in the political affairs of a member.

Article VI of the Agreement deals with the organization and management of the Association. The close affiliation of the Association with the International Bank is made clear in the several sections in this article. The President of the Bank is to be ex officio the President of the Association and Chairman of its Board of Executive Directors. Officers and staff of the Bank are to serve concurrently as officers and staff of the Association to the extent practicable. Provision is made, as in the Bank, that the voting power of members be based on their subscriptions.

Arrangements in the event of suspension or withdrawal of a member, or the permanent suspension of the operations of the Association, are made in article VII. The following article, article VIII, covers the status, immunities, and privileges enjoyed by the Association and its personnel. This article is identical with the corresponding provisions in the Articles of Agreement of the International Bank. A procedure for amending the Articles of Agreement is set forth in article IX, while article X provides for interpretation of the Agreement. The final article, article XI, specifies the manner in which the Agreement is to enter into force and the Association is to begin operations.

A single attachment, schedule A, assigns the amount of its initial subscription to each member, and divides members into two groups according to the terms on which they are to pay their subscriptions, as described below.

The Council points out that some of the key sections of the Articles have been drafted so as to accord a high degree of flexibility to the Association to evolve satisfactory policies in the course of its operations. The Council agrees with this procedure, and is confident that the United States, through its Governor and Executive Director, will have adequate opportunity to participate in the evolution of the important policies of the Association.

V. U.S. FINANCIAL PARTICIPATION IN IDA'S RESOURCES

Article II of the Agreement contains provisions relating to the initial subscriptions by members to the resources of the Association. Schedule A, appended to the Articles, specifies the amount each member is to subscribe. The U.S. subscription is \$320.29 million out of a total of \$1 billion. Thus the U.S. share of total subscriptions is slightly over 32 percent, which is comparable to the proportion of the capital of the International Bank subscribed by the United States. The initial subscriptions of the other economically stronger members of the Association total \$442.78 million. The subscriptions of the less-developed members make up the balance of \$236.93 million.

Article II divides subscriptions into a 10 percent portion and a 90 percent portion, and provides that each member of the Association shall pay the 10 percent portion of its subscription in gold or freely convertible currency. Of this 10 percent, which in the case of the

United States amounts to \$32,029,000, 50 percent must be paid within 30 days after the Association begins operations, or on the date on which a country becomes a member, whichever is later. (For the United States, it is expected that both of these dates will fall in the fiscal year 1961.) The remaining half of the 10 percent portion is to be paid in four equal installments, the first of which is due 1 year after the Association begins operations, and the remaining three of which are due annually thereafter. (See table, col. 1.)

TABLE.—*International Development Association: U.S. subscription payments*

[In U.S. dollars]

Installments and fiscal years	10 percent portion (1)	90 percent portion (2)	Total (3)
I—1961.....	¹ \$16, 014, 500	³ \$57, 652, 200	⁵ \$73, 666, 700
II—1962.....	² 4, 003, 625	⁴ 57, 652, 200	⁶ 61, 655, 825
III—1963.....	² 4, 003, 625	⁴ 57, 652, 200	⁶ 61, 655, 825
IV—1964.....	² 4, 003, 625	⁴ 57, 652, 200	⁶ 61, 655, 825
V—1965.....	² 4, 003, 625	⁴ 57, 652, 200	⁶ 61, 655, 825
Total.....	32, 029, 000	288, 261, 000	320, 290, 000

¹ 50 percent of 10 percent portion (5 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later.

² 12½ percent of 10 percent portion (1¼ percent of total subscription) payable 1 year after beginning of operations of Association, and at annual intervals thereafter until 10 percent portion fully paid.

³ 20 percent of 90 percent portion (18 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later.

⁴ 20 percent of 90 percent portion (18 percent of total subscription) payable 1 year after beginning of operations of Association, and at annual intervals thereafter until 90 percent portion fully paid.

⁵ 23 percent of total subscription (5 percent plus 18 percent).

⁶ 19¼ percent of total subscription (1¼ percent plus 18 percent).

As to the 90 percent portion of members' subscriptions, the articles provide that certain countries, listed in part I of schedule A, shall pay this portion also in gold or freely convertible currency, while the remaining members, listed in part II of schedule A, may pay this portion in their own national currencies. The countries listed in part I are those which are economically more advanced and which would not be expected to be recipients of financing from the Association. The United States is, of course, among the countries listed in part I, and the 90 percent portion of its subscription amounts to \$288,261,000. This portion is payable in five equal installments of 20 percent (\$57,652,200) each. The first installment would be due at the same time as the first half of the 10 percent portion, that is, within 30 days after the Association begins operations, or on the date on which the United States becomes a member, whichever is later. The second installment would be due at the same time as the second payment on the 10 percent portion, that is, 1 year after the Association begins operations. The remaining three installments would be due at annual intervals thereafter. (See table, col. 2.)

The total payment by the United States in the fiscal year 1961 would, under these arrangements, represent 23 percent of the \$320.29 million which the United States is to subscribe. Each annual payment of \$61,655,825 in the 4 succeeding fiscal years would represent 19¼ percent of the total U.S. subscription. (See table, col. 3.) This pattern of subscriptions will provide IDA with somewhat larger receipts in its first year than in subsequent years. It is anticipated

that funds for the annual payments on account of the U.S. subscription will be obtained through annual appropriations by the Congress.

Article III, section 1, provides for a review of the adequacy of the Association's resources prior to the time of the completion of the present schedule of subscription payments, and similar reviews at approximately 5-year intervals thereafter. In providing for this review, the United States and the other members acknowledge the probability that the resources of the institution will require periodic replenishment. If the results of a review indicate that such a move would be desirable, an increase in the subscriptions may be authorized. While the amounts authorized for such additional subscription, and the terms and conditions of subscriptions are to be determined by the Association, it should be noted that the Articles explicitly state that no member shall be obligated to subscribe to any increase in subscriptions. As is the case in the Bank, each member must, in the event of an increase in subscriptions, be given an opportunity to subscribe an amount of funds which will enable it to maintain its relative position in the Association. Decisions relating to additional subscriptions must be made by a two-thirds majority of the total voting power of the Association, so that the United States by its weighted vote is assured of an important voice in any step in this direction. The Council wishes to make it clear that the United States, in accepting these Articles and making initial subscriptions to the resources of the Association, undertakes no obligation with respect to future increases in resources.

VI. POSSIBLE TRANSFERS OF U.S.-OWNED FOREIGN CURRENCIES TO IDA

One of the important aspects of the International Development Association proposal since its original conception has been the possibility it offered of facilitating the constructive use of some of the currencies of other countries ("local currencies") owned by the United States. The great bulk of these currencies is generated by the programs for disposal of surplus agricultural commodities under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480, 83d Cong., 2d sess.). Under typical arrangements, sales of agricultural products are made abroad for payment in national currencies. The broad uses to which these currencies may be put are agreed upon with the foreign country and specified in the sales contract, and include both uses by the United States and uses which are of primary benefit to the country concerned. An example of the latter category would be loans of the currency back to the country for economic development purposes. It is within this context that arrangements looking toward transfer of these funds to an international organization such as the International Development Association must be considered.

Article III, section 2, authorizes the Association to receive, as supplementary resources, funds from one member in the currency of another member. The member providing foreign currency to the IDA would receive as evidence of the transfer a nonvoting "Special Development Certificate," which would state the amount and currency of the funds involved and the terms and conditions under which they were provided. These terms and conditions could include arrangements for

the country making the currencies available to receive some portion of the Association's earnings from the use of the funds provided. When such funds are offered, the Association must satisfy itself that the member whose currency would be transferred by another member agrees to the use of its currency as supplementary resources.

The Articles do not specify any amounts of funds which might be transferred to the Association by the United States or by other countries under the provisions described above, nor can the Council predict what magnitudes might be involved. The flow of these funds will depend, not only on the future amounts of Public Law 480 sales and on the extent to which countries are willing to agree to the transfer and use of their currencies by the IDA, but also on the rate at which satisfactory projects utilizing these currencies can be developed.

The Council feels that certain amendments to Public Law 480 would be desirable to give explicit statutory authority for transfer of foreign currencies to the International Development Association, and that such amendments should be enacted promptly to enable the United States to participate more effectively in the International Development Association.

VII. ENTRY INTO FORCE AND BEGINNING OF OPERATIONS

Article XI, section 1, provides that the Agreement shall enter into force as soon after September 15, 1960, as it has been signed on behalf of governments whose subscriptions represent 65 percent of total subscriptions (that is, whose subscriptions amount to \$650 million) and these governments have deposited with the Bank documents stating that they have legally accepted the charter and are prepared to carry out all their obligations under it.

The United States would be in a position to become a member whenever legislation is enacted authorizing membership and providing for the first payment on subscription account. The U.S. membership would be accomplished upon signature of the Agreement and deposit of its instrument of acceptance. The Articles provide, however, that no government shall become a member before the agreement enters into force, so that U.S. membership would actually become effective at that time after September 15, 1960, when governments having at least an additional 33 percent of total subscriptions have also deposited their instruments of acceptance.

Governments have until December 31, 1960, to become members. If the agreement has not entered into force by that date, the Executive Directors of the Bank may extend the signature period by not more than 6 months. Countries listed in schedule A which have not joined by December 31, 1960 (or by the end of the extension period, if any), lose the rights of original membership and may then be admitted only in accordance with procedures established by the Association.

The Association is to commence operations on the date of the first meeting of its Board of Executive Directors. The President of the Association is to call this meeting as soon as the Agreement enters into force. Thus, if sufficient countries have accepted the Articles of Agreement to bring it into force at the earliest possible date, September 15, 1960, the Association could begin operations at that time. The obligations of members to make their first payments on subscription

account would in these circumstances come due within 30 days of the beginning of operations for those countries which had previously become members by September 15, and for all other countries within 30 days of their becoming members.

VIII. CONCLUSION

The National Advisory Council, in its earlier report on the subject, has already recorded its view that an International Development Association is both feasible and desirable, and that the nations now cooperatively joined in the International Bank could, by creating and adhering to the Association, significantly broaden the operations of the Bank and extend the usefulness of its funds. Developments since the Council voiced these views have served to support and confirm the conclusions reached earlier.

The document now before the United States for legislative action would create an affiliate of the International Bank to provide development financing of a kind not now available from any multilateral institution. It would provide an opportunity for the economically stronger countries of Western Europe and elsewhere, many of which have not only completed postwar recovery but also attained new high levels of prosperity, to join with the United States within the framework of a sound and proven international institution in making available this specialized type of development financing. It would provide an opportunity to further the usefulness of foreign currencies accruing to the United States. It would, through the contribution the International Development Association will make to greater economic activity in the less developed member countries, provide improved opportunities for beneficial trade and private investment.

The need for an International Development Association arises from a prevalent condition in the world today: areas capable of development but unable to service, on normal lending terms, the capital which would help to achieve fuller use of resources. The United States has played and is continuing to play a leading role in efforts to deal with this condition. Early and affirmative action by the Congress would be the appropriate culmination of the extensive efforts undertaken since the passage of Senate Resolution 264. The Council believes that the objectives of that resolution can be amply carried out by the creation of the International Development Association.

In conclusion, the Council wishes to reiterate, with emphasis, its considered judgment that U.S. membership in the proposed institution would contribute toward meeting some of the urgent problems of the less developed areas, and that it would be in the interest of the United States, and of the free world in general, to proceed with the establishment of the International Development Association.

ANNEX

REPORT OF THE EXECUTIVE DIRECTORS OF THE INTERNATIONAL
BANK ON THE ARTICLES OF AGREEMENT OF THE INTERNATIONAL
DEVELOPMENT ASSOCIATION

ARTICLES OF AGREEMENT OF THE INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

Articles of Agreement

As Approved for
Submission to Governments
by the Executive Directors of the
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

AND

ACCOMPANYING REPORT
OF THE EXECUTIVE DIRECTORS

January 26, 1960

Report of the Executive Directors
on the
Articles of Agreement
of the
International Development Association

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

January 26, 1960

Report of the Executive Directors on the Articles of Agreement of the International Development Association

1. Resolution No. 136, adopted by the Board of Governors of the International Bank for Reconstruction and Development (herein called "the Bank") on October 1, 1959, provides as follows:

"RESOLVED: That with respect to the question of creating an International Development Association as an affiliate of the Bank, the Executive Directors, having regard to the views expressed by Governors and considering the broad principles on which such an Association should be established and all other aspects of the matter, are requested to formulate articles of agreement of such an Association for submission to the member Governments of the Bank."

2. The Executive Directors of the Bank, acting pursuant to the foregoing Resolution, have formulated Articles of Agreement for an International Development Association (herein called "the Association") and, on January 26, 1960, approved the text of such Articles, as attached hereto, for submission to member governments of the Bank. The Executive Directors' approval of the Agreement for submission to governments does not, of course, imply that governments are committed to take action on the Agreement.

3. The Executive Directors invite attention to the provisions of Article XI, Section 1, pursuant to which the attached Agreement will enter into force at any time on or after September 15, 1960, when it has been signed on behalf of governments whose subscriptions aggregate at least \$650 million, and to the provisions of Article XI, Section 2 (c), pursuant to which, unless an extension of time is granted, the Agreement will remain open for signature by original members only until the close of business on December 31, 1960.

4. While the provisions of the attached text are for the most part self-explanatory, the Executive Directors believe that brief comment on a few principal features may be useful to member governments in their consideration of the Agreement.

Initial Subscriptions

5. The Articles provide for initial subscriptions which will aggregate \$1 billion if all present members of the Bank become original members of the Association. The initial subscription to be made by each original member, as listed in Schedule A to the Articles of Agreement, is designed to be proportionate to that member's subscription to the capital stock of the Bank. For purposes of calculating proportionality, the Bank's capitalization and each member's subscription in the Bank have been taken as if the recently authorized capital increases had already become effective as follows: (a) all members of the Bank had doubled their capital subscriptions pursuant to Resolution No. 128 of the Board of Governors, except China which has reserved its position; (b) the individual special increases in subscriptions authorized by Resolutions No. 130 and No. 132 of the Board of Governors had been effected; and (c) the "small quota" increases in subscriptions authorized by Resolution No. 130 of the Board of Governors had been effected only by Bolivia, Burma, Ethiopia, Guatemala, Iraq, Libya, Tunisia and Viet-Nam, the only members which at December 31, 1959, had indicated their intention to effect such increases.

6. Article II, Section 2, divides the initial subscription of original members into a 10% component, which must be paid by all members in gold or freely convertible currency (as defined by Article II, Section 2(f)), and a 90% component. The 90% component is payable in gold or freely convertible currency by members listed in Part I of Schedule A, and in national currency by members listed in Part II. Pursuant to Article IV, Section 1, the national currency paid in by a member listed in Part II of Schedule A may be converted by the Association, or used by it to finance exports from the member's territories, only with the member's consent. Part I lists only those members whose economic and financial situation is such, in the opinion of the Executive Directors, as to justify making the entire amount of their subscriptions available on a freely convertible basis. While the members listed in Part II have no legal obligation to make more than 10% of their initial subscription available to the Association on a freely convertible basis, it is hoped that the more developed of these countries, upon accepting membership in

the Association or reasonably soon thereafter, will be in a position to release at least some part of the 90% portion of their subscriptions.

7. Article II, Section 2, also provides that the 90% component of the initial subscription of original members shall be payable in five equal annual instalments amounting to 18% each and that, in connection with each such payment, members may substitute non-negotiable, non-interest-bearing demand notes for their own currency until the funds are needed by the Association. The remaining 10% component of the initial subscription of original members, which, as already noted, must be paid in gold or freely convertible currency, is also payable in five annual instalments: 5% the first year and 1 $\frac{1}{4}$ % each year thereafter. Thus the first instalment of each member's initial subscription amounts to 23% of the total (18% plus 5%) and each of the other four instalments amounts to 19 $\frac{1}{4}$ % (18% plus 1 $\frac{1}{4}$ %).

8. Two other features concerning initial subscriptions to the Association deserve mention. The first relates to the maintenance of value obligation imposed upon each member by Article IV, Section 2(a), with respect to its own currency paid in by it as the 90% component of its initial subscription; unlike the situation under the Bank's Articles, this maintenance of value obligation extends only until the member's currency has been initially disbursed or exchanged by the Association for the currency of another member. The second feature is the provision of Article IV, Section 1(e), that the 90% component of the initial subscriptions of all members listed in Part I of Schedule A shall be used by the Association, over reasonable intervals of time, on an approximately *pro rata* basis.

Voting Rights

9. The voting rights of original members in respect of their initial subscriptions, prescribed by Article VI, Section 3, are in general based on the Bank pattern of voting rights. Assuming that all members of the Bank become original members of the Association, members will have approximately the same relative voting power in the Association as in the Bank following completion of the recent capital increases, but adjusted to restore the voting

power of the smaller Bank members which was somewhat diluted by those capital increases.

10. Voting rights on subscriptions other than initial subscriptions of original members are left to be determined by the Association.

Additions to Resources

11. Article III, Section 1(a), provides for a periodic review by the Association of the adequacy of its resources and for the authorization, if, when and to the extent deemed desirable, of general increases in subscriptions. In formulating these provisions, the Executive Directors considered that, as in the case of the initial subscriptions, any general increases in subscriptions should normally be designed to provide the Association with funds for a five-year period. Section 1(c) of Article III requires the Association, when authorizing any general or individual increase in subscriptions, to give each member an opportunity to subscribe an amount enabling it to maintain its relative voting power. This provision permits the Association either to give each member an option to subscribe to all or part of the amount authorized for it, or to require each member to choose between subscribing the entire amount authorized for it or nothing at all.

12. Article III, Section 2, expressly authorizes the Association to enter into arrangements, upon such terms and conditions as may be agreed, to accept from any member supplementary resources in the currency of another member, provided that the member whose currency is involved agrees to the use of such currency as supplementary resources and to the terms and conditions governing such use. The inclusion of this express authorization to accept supplementary resources of a particular type is not intended to preclude the Association from accepting other types of contributions for purposes and on terms consistent with the provisions of the Agreement.

Operations

13. Article V, Section 1(a) states that the Association shall provide financing to further development in the less-developed areas of the world included within the Association's membership.

Under this provision, the Association's financing is to be for less-developed member countries and less-developed dependent and associated territories included within the membership of member countries.

14. The other provisions of Article V have been drafted in very general terms, in order to give the Association wide latitude to shape its financing to meet the needs of actual cases as they arise. For example, the Association is authorized to finance any project which is of high developmental priority, that is, which will make an important contribution to the development of the area or areas concerned, whether or not the project is revenue-producing or directly productive. Thus projects such as water supply, sanitation, pilot housing and the like are eligible for financing, although it is expected that a major part of the Association's financing is likely to be for projects of the type financed by the Bank.

15. Section 1(b) of Article V specifies that the Association's financing shall normally be in support of specific projects. The words "specific projects" are intended to include, as in the Bank's practice, such proposals as a railway program, an agricultural credit program, or a group of related projects forming part of a development program. Section 1(b) permits the Association to provide financing for other than specific projects in special circumstances.

16. The only directives contained in the Agreement with respect to the terms and forms of the Association's financing are the provision of Article I that the terms shall be "more flexible and bear less heavily on the balance of payments than those of conventional loans," and the provisions of Article V, Section 2(a), the effect of which is to require that financing out of initial subscriptions take the form of loans. The broad language of Article V is designed to permit the Association to carry out the directive of Article I, in the case of loans made from its freely convertible resources, in any of a number of ways: for example, by providing for lenient terms of repayment (such as loans repayable in foreign exchange with long maturities or long periods of grace or both, or loans repayable wholly or partly in local currency), by lending free of interest or at a low rate of interest, or by some combination of the foregoing.

17. Section 2(c) of Article V provides that the Association may provide financing not only to governments but to public or private entities in the territories of a member or members and, in addition, to public international or regional organizations. Section 2(d) provides that, in the case of a loan to an entity other than a member, the Association may require a suitable governmental or other guarantee; unlike the situation under the Bank's Articles, a governmental guarantee of such a loan is discretionary, not mandatory.

18. Section 1(g) of Article V provides that the Association, in making arrangements with respect to the use of the proceeds of any financing, including currencies accepted as supplementary resources, shall give due regard to considerations of competitive international trade. It is expected that the Association, like the Bank, will require that the choice of equipment and services to be purchased with funds supplied by the Association shall normally be determined on the basis of international competition.

19. One of the powers conferred upon the Association by Article V, Section 5, is the power to provide technical assistance and advisory services at the request of a member. Such assistance may, in the discretion of the Association, be provided with or without reimbursement.

Organization and Management

20. Under Article VI of the Agreement, the Association is to be organized as an affiliate of the Bank, as required by Resolution No. 136 of the Board of Governors. As in the case of the International Finance Corporation, each member of the Association is to be represented on the Association's Board of Governors by the same Governor and Alternate Governor who represent it on the Board of Governors of the Bank, and each Executive Director and Alternate Director of the Bank is to serve *ex officio* in a corresponding capacity for the Association, provided that he represents at least one country which is a member of the Association. Unlike the International Finance Corporation, however, the Association will not have a separate President; the President of the Bank, who is also Chairman of the Bank's Executive Directors, is to serve as both President and Chairman of the Executive Directors of the Association.

21. Section 5(b) of Article VI provides that, to the extent practicable, officers and staff of the Bank are to be appointed to serve concurrently as officers and staff of the Association, and it is contemplated that, at least initially, the Association will have no separate officers or staff. It is further expected that, as and when the aggregate volume of work of the Bank and Association requires, officers and staff serving both institutions concurrently will be augmented, with responsibilities assigned as seems appropriate from time to time. However, should a different course at any time appear desirable, Article VI is sufficiently flexible to permit the appointment of officers (other than the President) and staff who would be concerned solely with the affairs of the Association.

Status, Immunities and Privileges

22. Article VIII, dealing with status, immunities and privileges, follows exactly the corresponding provisions of the Bank's Articles of Agreement.

Articles of Agreement
of the
International Development
Association

As Approved for
Submission to Governments
by the Executive Directors of the
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

January 26, 1960

Articles of Agreement of the International Development Association

The Governments on whose behalf this Agreement is signed,

Considering:

That mutual cooperation for constructive economic purposes, healthy development of the world economy and balanced growth of international trade foster international relationships conducive to the maintenance of peace and world prosperity;

That an acceleration of economic development which will promote higher standards of living and economic and social progress in the less-developed countries is desirable not only in the interests of those countries but also in the interests of the international community as a whole;

That achievement of these objectives would be facilitated by an increase in the international flow of capital, public and private, to assist in the development of the resources of the less-developed countries,

do hereby agree as follows:

INTRODUCTORY ARTICLE

The INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called "the Association") is established and shall operate in accordance with the following provisions:

ARTICLE I

Purposes

The purposes of the Association are to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world included within the

Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the International Bank for Reconstruction and Development (hereinafter called "the Bank") and supplementing its activities.

The Association shall be guided in all its decisions by the provisions of this Article.

ARTICLE II

Membership; Initial Subscriptions

SECTION 1. *Membership*

(a) The original members of the Association shall be those members of the Bank listed in Schedule A hereto which, on or before the date specified in Article XI, Section 2 (c), accept membership in the Association.

(b) Membership shall be open to other members of the Bank at such times and in accordance with such terms as the Association may determine.

SECTION 2. *Initial Subscriptions*

(a) Upon accepting membership, each member shall subscribe funds in the amount assigned to it. Such subscriptions are herein referred to as initial subscriptions.

(b) The initial subscription assigned to each original member shall be in the amount set forth opposite its name in Schedule A, expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960.

(c) Ten percent of the initial subscription of each original member shall be payable in gold or freely convertible currency as follows: fifty percent within thirty days after the date on which the Association shall begin operations pursuant to Article XI, Section 4, or on the date on which the original member becomes a member, whichever shall be later; twelve and one-half percent one year after the beginning of operations of the Association; and

twelve and one-half percent each year thereafter at annual intervals until the ten percent portion of the initial subscription shall have been paid in full.

(d) The remaining ninety percent of the initial subscription of each original member shall be payable in gold or freely convertible currency in the case of members listed in Part I of Schedule A, and in the currency of the subscribing member in the case of members listed in Part II of Schedule A. This ninety percent portion of initial subscriptions of original members shall be payable in five equal annual instalments as follows: the first such instalment within thirty days after the date on which the Association shall begin operations pursuant to Article XI, Section 4, or on the date on which the original member becomes a member, whichever shall be later; the second instalment one year after the beginning of operations of the Association, and succeeding instalments each year thereafter at annual intervals until the ninety percent portion of the initial subscription shall have been paid in full.

(e) The Association shall accept from any member, in place of any part of the member's currency paid in or payable by the member under the preceding subsection (d) or under Section 2 of Article IV and not needed by the Association in its operations, notes or similar obligations issued by the government of the member or the depository designated by such member, which shall be non-negotiable, non-interest-bearing and payable at their par value on demand to the account of the Association in the designated depository.

(f) For the purposes of this Agreement the Association shall regard as "freely convertible currency":

- (i) currency of a member which the Association determines, after consultation with the International Monetary Fund, is adequately convertible into the currencies of other members for the purposes of the Association's operations; or
- (ii) currency of a member which such member agrees, on terms satisfactory to the Association, to exchange for the currencies of other members for the purposes of the Association's operations.

(g) Except as the Association may otherwise agree, each member listed in Part I of Schedule A shall maintain, in respect of its currency paid in by it as freely convertible currency pursuant to subsection (d) of this Section, the same convertibility as existed at the time of payment.

(h) The conditions on which the initial subscriptions of members other than original members may be made, and the amounts and the terms of payment thereof, shall be determined by the Association pursuant to Section 1(b) of this Article.

SECTION 3. *Limitation on Liability*

No member shall be liable, by reason of its membership, for obligations of the Association.

ARTICLE III

Additions to Resources

SECTION 1. *Additional Subscriptions*

(a) The Association shall at such time as it deems appropriate in the light of the schedule for completion of payments on initial subscriptions of original members, and at intervals of approximately five years thereafter, review the adequacy of its resources and, if it deems desirable, shall authorize a general increase in subscriptions. Notwithstanding the foregoing, general or individual increases in subscriptions may be authorized at any time, provided that an individual increase shall be considered only at the request of the member involved. Subscriptions pursuant to this Section are herein referred to as additional subscriptions.

(b) Subject to the provisions of paragraph (c) below, when additional subscriptions are authorized, the amounts authorized for subscription and the terms and conditions relating thereto shall be as determined by the Association.

(c) When any additional subscription is authorized, each member shall be given an opportunity to subscribe, under such conditions as shall be reasonably determined by the Association, an amount which will enable it to maintain its relative voting power, but no member shall be obligated to subscribe.

(d) All decisions under this Section shall be made by a two-thirds majority of the total voting power.

SECTION 2. *Supplementary Resources Provided by a Member in the Currency of Another Member*

(a) The Association may enter into arrangements, on such terms and conditions consistent with the provisions of this Agreement as may be agreed upon, to receive from any member, in addition to the amounts payable by such member on account of its initial or any additional subscription, supplementary resources in the currency of another member, provided that the Association shall not enter into any such arrangement unless the Association is satisfied that the member whose currency is involved agrees to the use of such currency as supplementary resources and to the terms and conditions governing such use. The arrangements under which any such resources are received may include provisions regarding the disposition of earnings on the resources and regarding the disposition of the resources in the event that the member providing them ceases to be a member or the Association permanently suspends its operations.

(b) The Association shall deliver to the contributing member a Special Development Certificate setting forth the amount and currency of the resources so contributed and the terms and conditions of the arrangement relating to such resources. A Special Development Certificate shall not carry any voting rights and shall be transferable only to the Association.

(c) Nothing in this Section shall preclude the Association from accepting resources from a member in its own currency on such terms as may be agreed upon.

ARTICLE IV

Currencies

SECTION 1. *Use of Currencies*

(a) Currency of any member listed in Part II of Schedule A, whether or not freely convertible, received by the Association pursuant to Article II, Section 2(d), in payment of the ninety per cent portion payable thereunder in the currency of such member,

and currency of such member derived therefrom as principal, interest or other charges, may be used by the Association for administrative expenses incurred by the Association in the territories of such member and, insofar as consistent with sound monetary policies, in payment for goods and services produced in the territories of such member and required for projects financed by the Association and located in such territories; and in addition when and to the extent justified by the economic and financial situation of the member concerned as determined by agreement between the member and the Association, such currency shall be freely convertible or otherwise usable for projects financed by the Association and located outside the territories of the member.

(b) The usability of currencies received by the Association in payment of subscriptions other than initial subscriptions of original members, and currencies derived therefrom as principal, interest or other charges, shall be governed by the terms and conditions on which such subscriptions are authorized.

(c) The usability of currencies received by the Association as supplementary resources other than subscriptions, and currencies derived therefrom as principal, interest or other charges, shall be governed by the terms of the arrangements pursuant to which such currencies are received.

(d) All other currencies received by the Association may be freely used and exchanged by the Association and shall not be subject to any restriction by the member whose currency is used or exchanged; provided that the foregoing shall not preclude the Association from entering into any arrangements with the member in whose territories any project financed by the Association is located restricting the use by the Association of such member's currency received as principal, interest or other charges in connection with such financing.

(e) The Association shall take appropriate steps to ensure that, over reasonable intervals of time, the portions of the subscriptions paid under Article II, Section 2(d) by members listed in Part I of Schedule A shall be used by the Association on an approximately *pro rata* basis, provided, however, that such portions of such subscriptions as are paid in gold or in a currency other than that of the subscribing member may be used more rapidly.

SECTION 2. *Maintenance of Value of Currency Holdings*

(a) Whenever the par value of a member's currency is reduced or the foreign exchange value of a member's currency has, in the opinion of the Association, depreciated to a significant extent within that member's territories, the member shall pay to the Association within a reasonable time an additional amount of its own currency sufficient to maintain the value, as of the time of subscription, of the amount of the currency of such member paid in to the Association by the member under Article II, Section 2(d), and currency furnished under the provisions of the present paragraph, whether or not such currency is held in the form of notes accepted pursuant to Article II, Section 2(e), provided, however, that the foregoing shall apply only so long as and to the extent that such currency shall not have been initially disbursed or exchanged for the currency of another member.

(b) Whenever the par value of a member's currency is increased, or the foreign exchange value of a member's currency has, in the opinion of the Association, appreciated to a significant extent within that member's territories, the Association shall return to such member within a reasonable time an amount of that member's currency equal to the increase in the value of the amount of such currency to which the provisions of paragraph (a) of this Section are applicable.

(c) The provisions of the preceding paragraphs may be waived by the Association when a uniform proportionate change in the par value of the currencies of all its members is made by the International Monetary Fund.

(d) Amounts furnished under the provisions of paragraph (a) of this Section to maintain the value of any currency shall be convertible and usable to the same extent as such currency.

ARTICLE V**Operations****SECTION 1. *Use of Resources and Conditions of Financing***

(a) The Association shall provide financing to further development in the less-developed areas of the world included within the Association's membership.

(b) Financing provided by the Association shall be for purposes which in the opinion of the Association are of high developmental priority in the light of the needs of the area or areas concerned and, except in special circumstances, shall be for specific projects.

(c) The Association shall not provide financing if in its opinion such financing is available from private sources on terms which are reasonable for the recipient or could be provided by a loan of the type made by the Bank.

(d) The Association shall not provide financing except upon the recommendation of a competent committee, made after a careful study of the merits of the proposal. Each such committee shall be appointed by the Association and shall include a nominee of the Governor or Governors representing the member or members in whose territories the project under consideration is located and one or more members of the technical staff of the Association. The requirement that the committee include the nominee of a Governor or Governors shall not apply in the case of financing provided to a public international or regional organization.

(e) The Association shall not provide financing for any project if the member in whose territories the project is located objects to such financing, except that it shall not be necessary for the Association to assure itself that individual members do not object in the case of financing provided to a public international or regional organization.

(f) The Association shall impose no conditions that the proceeds of its financing shall be spent in the territories of any particular member or members. The foregoing shall not preclude the Association from complying with any restrictions on the use of funds imposed in accordance with the provisions of these Articles, including restrictions attached to supplementary resources pursuant to agreement between the Association and the contributor.

(g) The Association shall make arrangements to ensure that the proceeds of any financing are used only for the purposes for which the financing was provided, with due attention to considerations of economy, efficiency and competitive international trade and without regard to political or other non-economic influences or considerations.

(h) Funds to be provided under any financing operation shall be made available to the recipient only to meet expenses in connection with the project as they are actually incurred.

SECTION 2. *Form and Terms of Financing*

(a) Financing by the Association shall take the form of loans. The Association may, however, provide other financing, either

(i) out of funds subscribed pursuant to Article III, Section 1, and funds derived therefrom as principal, interest or other charges, if the authorization for such subscriptions expressly provides for such financing;

or

(ii) in special circumstances, out of supplementary resources furnished to the Association, and funds derived therefrom as principal, interest or other charges, if the arrangements under which such resources are furnished expressly authorize such financing.

(b) Subject to the foregoing paragraph, the Association may provide financing in such forms and on such terms as it may deem appropriate, having regard to the economic position and prospects of the area or areas concerned and to the nature and requirements of the project.

(c) The Association may provide financing to a member, the government of a territory included within the Association's membership, a political subdivision of any of the foregoing, a public or private entity in the territories of a member or members, or to a public international or regional organization.

(d) In the case of a loan to an entity other than a member, the Association may, in its discretion, require a suitable governmental or other guarantee or guarantees.

(e) The Association, in special cases, may make foreign exchange available for local expenditures.

SECTION 3. *Modifications of Terms of Financing*

The Association may, when and to the extent it deems appropriate in the light of all relevant circumstances, including the financial and economic situation and prospects of the member

concerned, and on such conditions as it may determine, agree to a relaxation or other modification of the terms on which any of its financing shall have been provided.

SECTION 4. *Cooperation with Other International Organizations and Members Providing Development Assistance*

The Association shall cooperate with those public international organizations and members which provide financial and technical assistance to the less-developed areas of the world.

SECTION 5. *Miscellaneous Operations*

In addition to the operations specified elsewhere in this Agreement, the Association may:

- (i) borrow funds with the approval of the member in whose currency the loan is denominated;
- (ii) guarantee securities in which it has invested in order to facilitate their sale;
- (iii) buy and sell securities it has issued or guaranteed or in which it has invested;
- (iv) in special cases, guarantee loans from other sources for purposes not inconsistent with the provisions of these Articles;
- (v) provide technical assistance and advisory services at the request of a member; and
- (vi) exercise such other powers incidental to its operations as shall be necessary or desirable in furtherance of its purposes.

SECTION 6. *Political Activity Prohibited*

The Association and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in this Agreement.

ARTICLE VI**Organization and Management****SECTION 1. *Structure of the Association***

The Association shall have a Board of Governors, Executive Directors, a President and such other officers and staff to perform such duties as the Association may determine.

SECTION 2. *Board of Governors*

(a) All the powers of the Association shall be vested in the Board of Governors.

(b) Each Governor and Alternate Governor of the Bank appointed by a member of the Bank which is also a member of the Association shall *ex officio* be a Governor and Alternate Governor, respectively, of the Association. No Alternate Governor may vote except in the absence of his principal. The Chairman of the Board of Governors of the Bank shall *ex officio* be Chairman of the Board of Governors of the Association except that if the Chairman of the Board of Governors of the Bank shall represent a state which is not a member of the Association, then the Board of Governors shall select one of the Governors as Chairman of the Board of Governors. Any Governor or Alternate Governor shall cease to hold office if the member by which he was appointed shall cease to be a member of the Association.

(c) The Board of Governors may delegate to the Executive Directors authority to exercise any of its powers, except the power to:

- (i) admit new members and determine the conditions of their admission;
- (ii) authorize additional subscriptions and determine the terms and conditions relating thereto;
- (iii) suspend a member;
- (iv) decide appeals from interpretations of this Agreement given by the Executive Directors;
- (v) make arrangements pursuant to Section 7 of this Article to cooperate with other international organizations (other than informal arrangements of a temporary and administrative character);

- (vi) decide to suspend permanently the operations of the Association and to distribute its assets;
- (vii) determine the distribution of the Association's net income pursuant to Section 12 of this Article; and
- (viii) approve proposed amendments to this Agreement.

(d) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board of Governors or called by the Executive Directors.

(e) The annual meeting of the Board of Governors shall be held in conjunction with the annual meeting of the Board of Governors of the Bank.

(f) A quorum for any meeting of the Board of Governors shall be a majority of the Governors, exercising not less than two-thirds of the total voting power.

(g) The Association may by regulation establish a procedure whereby the Executive Directors may obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.

(h) The Board of Governors, and the Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Association.

(i) Governors and Alternate Governors shall serve as such without compensation from the Association.

SECTION 3. *Voting*

(a) Each original member shall, in respect of its initial subscription, have 500 votes plus one additional vote for each \$5,000 of its initial subscription. Subscriptions other than initial subscriptions of original members shall carry such voting rights as the Board of Governors shall determine pursuant to the provisions of Article II, Section 1(b) or Article III, Section 1(b) and (c), as the case may be. Additions to resources other than subscriptions under Article II, Section 1(b) and additional subscriptions under Article III, Section 1, shall not carry voting rights.

(b) Except as otherwise specifically provided, all matters before the Association shall be decided by a majority of the votes cast.

SECTION 4. *Executive Directors*

(a) The Executive Directors shall be responsible for the conduct of the general operations of the Association, and for this purpose shall exercise all the powers given to them by this Agreement or delegated to them by the Board of Governors.

(b) The Executive Directors of the Association shall be composed *ex officio* of each Executive Director of the Bank who shall have been (i) appointed by a member of the Bank which is also a member of the Association, or (ii) elected in an election in which the votes of at least one member of the Bank which is also a member of the Association shall have counted toward his election. The Alternate to each such Executive Director of the Bank shall *ex officio* be an Alternate Director of the Association. Any Director shall cease to hold office if the member by which he was appointed, or if all the members whose votes counted toward his election, shall cease to be members of the Association.

(c) Each Director who is an appointed Executive Director of the Bank shall be entitled to cast the number of votes which the member by which he was appointed is entitled to cast in the Association. Each Director who is an elected Executive Director of the Bank shall be entitled to cast the number of votes which the member or members of the Association whose votes counted toward his election in the Bank are entitled to cast in the Association. All the votes which a Director is entitled to cast shall be cast as a unit.

(d) An Alternate Director shall have full power to act in the absence of the Director who shall have appointed him. When a Director is present, his Alternate may participate in meetings but shall not vote.

(e) A quorum for any meeting of the Executive Directors shall be a majority of the Directors exercising not less than one-half of the total voting power.

(f) The Executive Directors shall meet as often as the business of the Association may require.

(g) The Board of Governors shall adopt regulations under which a member of the Association not entitled to appoint an Executive Director of the Bank may send a representative to attend any meeting of the Executive Directors of the Association when a request made by, or a matter particularly affecting, that member is under consideration.

SECTION 5. *President and Staff*

(a) The President of the Bank shall be *ex officio* President of the Association. The President shall be Chairman of the Executive Directors of the Association but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors but shall not vote at such meetings.

(b) The President shall be chief of the operating staff of the Association. Under the direction of the Executive Directors he shall conduct the ordinary business of the Association and under their general control shall be responsible for the organization, appointment and dismissal of the officers and staff. To the extent practicable, officers and staff of the Bank shall be appointed to serve concurrently as officers and staff of the Association.

(c) The President, officers and staff of the Association, in the discharge of their offices, owe their duty entirely to the Association and to no other authority. Each member of the Association shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

(d) In appointing officers and staff the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

SECTION 6. *Relationship to the Bank*

(a) The Association shall be an entity separate and distinct from the Bank and the funds of the Association shall be kept separate and apart from those of the Bank. The Association shall not borrow from or lend to the Bank, except that this shall not

preclude the Association from investing funds not needed in its financing operations in obligations of the Bank.

(b) The Association may make arrangements with the Bank regarding facilities, personnel and services and arrangements for reimbursement of administrative expenses paid in the first instance by either organization on behalf of the other.

(c) Nothing in this Agreement shall make the Association liable for the acts or obligations of the Bank, or the Bank liable for the acts or obligations of the Association.

SECTION 7. *Relations with Other International Organizations*

The Association shall enter into formal arrangements with the United Nations and may enter into such arrangements with other public international organizations having specialized responsibilities in related fields.

SECTION 8. *Location of Offices*

The principal office of the Association shall be the principal office of the Bank. The Association may establish other offices in the territories of any member.

SECTION 9. *Depositories*

Each member shall designate its central bank as a depository in which the Association may keep holdings of such member's currency or other assets of the Association, or, if it has no central bank, it shall designate for such purpose such other institution as may be acceptable to the Association. In the absence of any different designation, the depository designated for the Bank shall be the depository for the Association.

SECTION 10. *Channel of Communication*

Each member shall designate an appropriate authority with which the Association may communicate in connection with any matter arising under this Agreement. In the absence of any different designation, the channel of communication designated for the Bank shall be the channel for the Association.

SECTION 11. *Publication of Reports and Provision of Information*

(a) The Association shall publish an annual report containing an audited statement of its accounts and shall circulate to members at appropriate intervals a summary statement of its financial position and of the results of its operations.

(b) The Association may publish such other reports as it deems desirable to carry out its purposes.

(c) Copies of all reports, statements and publications made under this Section shall be distributed to members.

SECTION 12. *Disposition of Net Income*

The Board of Governors shall determine from time to time the disposition of the Association's net income, having due regard to provision for reserves and contingencies.

ARTICLE VII

Withdrawal; Suspension of Membership; Suspension of Operations

SECTION 1. *Withdrawal by Members*

Any member may withdraw from membership in the Association at any time by transmitting a notice in writing to the Association at its principal office. Withdrawal shall become effective upon the date such notice is received.

SECTION 2. *Suspension of Membership*

(a) If a member fails to fulfill any of its obligations to the Association, the Association may suspend its membership by decision of a majority of the Governors, exercising a majority of the total voting power. The member so suspended shall automatically cease to be a member one year from the date of its suspension unless a decision is taken by the same majority to restore the member to good standing.

(b) While under suspension, a member shall not be entitled to exercise any rights under this Agreement except the right of withdrawal, but shall remain subject to all obligations.

SECTION 3. *Suspension or Cessation of Membership in the Bank*

Any member which is suspended from membership in, or ceases to be a member of, the Bank shall automatically be suspended from membership in, or cease to be a member of, the Association, as the case may be.

SECTION 4. *Rights and Duties of Governments Ceasing to be Members*

(a) When a government ceases to be a member, it shall have no rights under this Agreement except as provided in this Section and in Article X (c), but it shall, except as in this Section otherwise provided, remain liable for all financial obligations undertaken by it to the Association, whether as a member, borrower, guarantor or otherwise.

(b) When a government ceases to be a member, the Association and the government shall proceed to a settlement of accounts. As part of such settlement of accounts, the Association and the government may agree on the amounts to be paid to the government on account of its subscription and on the time and currencies of payment. The term "subscription" when used in relation to any member government shall for the purposes of this Article be deemed to include both the initial subscription and any additional subscription of such member government.

(c) If no such agreement is reached within six months from the date when the government ceased to be a member, or such other time as may be agreed upon by the Association and the government, the following provisions shall apply:

(i) The government shall be relieved of any further liability to the Association on account of its subscription, except that the government shall pay to the Association forthwith amounts due and unpaid on the date when the government ceased to be a member and which in the opinion of the Association are needed by it to meet its commitments as of that date under its financing operations.

(ii) The Association shall return to the government funds paid in by the government on account of its subscription or derived therefrom as principal repayments and

held by the Association on the date when the government ceased to be a member, except to the extent that in the opinion of the Association such funds will be needed by it to meet its commitments as of that date under its financing operations.

- (iii) The Association shall pay over to the government a *pro rata* share of all principal repayments received by the Association after the date on which the government ceases to be a member on loans contracted prior thereto, except those made out of supplementary resources provided to the Association under arrangements specifying special liquidation rights. Such share shall be such proportion of the total principal amount of such loans as the total amount paid by the government on account of its subscription and not returned to it pursuant to clause (ii) above shall bear to the total amount paid by all members on account of their subscriptions which shall have been used or in the opinion of the Association will be needed by it to meet its commitments under its financing operations as of the date on which the government ceases to be a member. Such payment by the Association shall be made in instalments when and as such principal repayments are received by the Association, but not more frequently than annually. Such instalments shall be paid in the currencies received by the Association except that the Association may in its discretion make payment in the currency of the government concerned.
- (iv) Any amount due to the government on account of its subscription may be withheld so long as that government, or the government of any territory included within its membership, or any political subdivision or any agency of any of the foregoing remains liable, as borrower or guarantor, to the Association, and such amount may, at the option of the Association, be applied against any such liability as it matures.
- (v) In no event shall the government receive under this paragraph (c) an amount exceeding, in the aggregate, the lesser of the two following: (a) the amount paid by the

government on account of its subscription, or (b) such proportion of the net assets of the Association, as shown on the books of the Association as of the date on which the government ceased to be a member, as the amount of its subscription shall bear to the aggregate amount of the subscriptions of all members.

- (vi) All calculations required hereunder shall be made on such basis as shall be reasonably determined by the Association.

(d) In no event shall any amount due to a government under this Section be paid until six months after the date upon which the government ceases to be a member. If within six months of the date upon which any government ceases to be a member the Association suspends operations under Section 5 of this Article, all rights of such government shall be determined by the provisions of such Section 5 and such government shall be considered a member of the Association for purposes of such Section 5, except that it shall have no voting rights.

SECTION 5. *Suspension of Operations and Settlement of Obligations*

(a) The Association may permanently suspend its operations by vote of a majority of the Governors exercising a majority of the total voting power. After such suspension of operations the Association shall forthwith cease all activities, except those incident to the orderly realization, conservation and preservation of its assets and settlement of its obligations. Until final settlement of such obligations and distribution of such assets, the Association shall remain in existence and all mutual rights and obligations of the Association and its members under this Agreement shall continue unimpaired, except that no member shall be suspended or shall withdraw and that no distribution shall be made to members except as in this Section provided.

(b) No distribution shall be made to members on account of their subscriptions until all liabilities to creditors shall have been discharged or provided for and until the Board of Governors, by vote of a majority of the Governors exercising a majority of the total voting power, shall have decided to make such distribution.

(c) Subject to the foregoing, and to any special arrangements for the disposition of supplementary resources agreed upon in connection with the provision of such resources to the Association, the Association shall distribute its assets to members *pro rata* in proportion to amounts paid in by them on account of their subscriptions. Any distribution pursuant to the foregoing provision of this paragraph (c) shall be subject, in the case of any member, to prior settlement of all outstanding claims by the Association against such member. Such distribution shall be made at such times, in such currencies, and in cash or other assets as the Association shall deem fair and equitable. Distribution to the several members need not be uniform in respect of the type of assets distributed or of the currencies in which they are expressed.

(d) Any member receiving assets distributed by the Association pursuant to this Section or Section 4 shall enjoy the same rights with respect to such assets as the Association enjoyed prior to their distribution.

ARTICLE VIII

Status, Immunities and Privileges

SECTION 1. *Purposes of Article*

To enable the Association to fulfill the functions with which it is entrusted, the status, immunities and privileges provided in this Article shall be accorded to the Association in the territories of each member.

SECTION 2. *Status of the Association*

The Association shall possess full juridical personality and, in particular, the capacity:

- (i) to contract;
- (ii) to acquire and dispose of immovable and movable property;
- (iii) to institute legal proceedings.

SECTION 3. *Position of the Association with Regard to Judicial Process*

Actions may be brought against the Association only in a court of competent jurisdiction in the territories of a member in which the Association has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. No actions shall, however, be brought by members or persons acting for or deriving claims from members. The property and assets of the Association shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Association.

SECTION 4. *Immunity of Assets from Seizure*

Property and assets of the Association, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

SECTION 5. *Immunity of Archives*

The archives of the Association shall be inviolable.

SECTION 6. *Freedom of Assets from Restrictions*

To the extent necessary to carry out the operations provided for in this Agreement and subject to the provisions of this Agreement, all property and assets of the Association shall be free from restrictions, regulations, controls and moratoria of any nature.

SECTION 7. *Privilege for Communications*

The official communications of the Association shall be accorded by each member the same treatment that it accords to the official communications of other members.

SECTION 8. *Immunities and Privileges of Officers and Employees*

All Governors, Executive Directors, Alternates, officers and employees of the Association

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Association waives this immunity;
- (ii) not being local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members;
- (iii) shall be granted the same treatment in respect of traveling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

SECTION 9. *Immunities from Taxation*

(a) The Association, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties. The Association shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Association to Executive Directors, Alternates, officials or employees of the Association who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Association (including any dividend or interest thereon) by whomsoever held

- (i) which discriminates against such obligation or security solely because it is issued by the Association; or
- (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Association.

(d) No taxation of any kind shall be levied on any obligation or security guaranteed by the Association (including any dividend or interest thereon) by whomsoever held

- (i) which discriminates against such obligation or security solely because it is guaranteed by the Association; or
- (ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Association.

SECTION 10. *Application of Article*

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Association of the detailed action which it has taken.

ARTICLE IX

Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a Governor or the Executive Directors, shall be communicated to the Chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board, the Association shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendments, the Association shall certify the fact by formal communication addressed to all members.

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying

- (i) the right to withdraw from the Association provided in Article VII, Section 1;
- (ii) the right secured by Article III, Section 1 (c);
- (iii) the limitation on liability provided in Article II, Section 3.

(c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

ARTICLE X

Interpretation and Arbitration

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Association or between any members of the Association shall be submitted to the Executive Directors for their decision. If the question particularly affects any member of the Association not entitled to appoint an Executive Director of the Bank, it shall be entitled to representation in accordance with Article VI, Section 4 (g).

(b) In any case where the Executive Directors have given a decision under (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board of Governors, the Association may, so far as it deems necessary, act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Association and a country which has ceased to be a member, or between the Association and any member during the permanent suspension of the Association, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Association, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the International Court of Justice or such other authority as may have been prescribed by regulation adopted by the Association. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

ARTICLE XI

Final Provisions

SECTION 1. *Entry into Force*

This Agreement shall enter into force when it has been signed on behalf of governments whose subscriptions comprise not less than sixty-five percent of the total subscriptions set forth in Schedule A and when the instruments referred to in Section 2 (a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before September 15, 1960.

SECTION 2. *Signature*

(a) Each government on whose behalf this Agreement is signed shall deposit with the Bank an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Association as from the date of the deposit on its behalf of the instrument referred to in paragraph (a) above except that no government shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) This Agreement shall remain open for signature until the close of business on December 31, 1960, at the principal office of the Bank, on behalf of the governments of the states whose names are set forth in Schedule A, provided that, if this Agreement shall not have entered into force by that date, the Executive Directors of the Bank may extend the period during which this Agreement shall remain open for signature by not more than six months.

(d) After this Agreement shall have entered into force, it shall be open for signature on behalf of the government of any state whose membership shall have been approved pursuant to Article II, Section 1 (b).

SECTION 3. *Territorial Application*

By its signature of this Agreement, each government accepts it both on its own behalf and in respect of all territories for whose international relations such government is responsible except those which are excluded by such government by written notice to the Association.

SECTION 4. *Inauguration of the Association*

(a) As soon as this Agreement enters into force under Section 1 of this Article the President shall call a meeting of the Executive Directors.

(b) The Association shall begin operations on the date when such meeting is held.

(c) Pending the first meeting of the Board of Governors, the Executive Directors may exercise all the powers of the Board of Governors except those reserved to the Board of Governors under this Agreement.

SECTION 5. *Registration*

The Bank is authorized to register this Agreement with the Secretariat of the United Nations in accordance with Article 102 of the Charter of the United Nations and the Regulations thereunder adopted by the General Assembly.

DONE at Washington, in a single copy which shall remain deposited in the archives of the International Bank for Reconstruction and Development, which has indicated by its signature below its agreement to act as depository of this Agreement, to register this Agreement with the Secretariat of the United Nations and to notify all governments whose names are set forth in Schedule A of the date when this Agreement shall have entered into force under Article XI, Section 1 hereof.

SCHEDULE A—INITIAL SUBSCRIPTIONS

(US \$ Millions)*

PART I

Australia	20.18	Japan	33.59
Austria	5.04	Luxembourg	1.01
Belgium	22.70	Netherlands	27.74
Canada	37.83	Norway	6.72
Denmark	8.74	Sweden	10.09
Finland	3.83	Union of South Africa	10.09
France	52.96	United Kingdom	131.14
Germany	52.96	United States	320.29
Italy	18.16		<hr/>
			763.07

PART II

Afghanistan	1.01	Israel	1.68
Argentina	18.83	Jordan	0.30
Bolivia	1.06	Korea	1.26
Brazil	18.83	Lebanon	0.45
Burma	2.02	Libya	1.01
Ceylon	3.03	Malaya	2.52
Chile	3.53	Mexico	8.74
China	30.26	Morocco	3.53
Colombia	3.53	Nicaragua	0.30
Costa Rica	0.20	Pakistan	10.09
Cuba	4.71	Panama	0.02
Dominican Republic	0.40	Paraguay	0.30
Ecuador	0.65	Peru	1.77
El Salvador	0.30	Philippines	5.04
Ethiopia	0.50	Saudi Arabia	3.70
Ghana	2.36	Spain	10.09
Greece	2.52	Sudan	1.01
Guatemala	0.40	Thailand	3.03
Haiti	0.76	Tunisia	1.51
Honduras	0.30	Turkey	5.80
Iceland	0.10	United Arab Republic	6.03
India	40.35	Uruguay	1.06
Indonesia	11.10	Venezuela	7.06
Iran	4.54	Viet-Nam	1.51
Iraq	0.76	Yugoslavia	4.04
Ireland	3.03		<hr/>
			236.93

TOTAL**1000.00**

* In terms of United States dollars of the weight and fineness in effect on January 1, 1960.



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 86th CONGRESS, SECOND SESSION

Vol. 106

WASHINGTON, THURSDAY, FEBRUARY 18, 1960

No. 28

Senate

(Legislative day of Monday, February 15, 1960)

The Senate met at 11 o'clock a.m., on the expiration of the recess, and was called to order by Senator SAM J. ERVIN, Jr., of North Carolina, Acting President pro tempore.

Rev. John Douglas Smith, pastor, First Presbyterian Church, Morganton, N.C., offered the following prayer:

Almighty Father of all nations, by whose hand all are fashioned and fed, and by whose grace all are sustained and secured, be pleased to bless with Thy presence and Thy penetrating insight this day these leaders of this Nation as they assemble in this historic spot to deliberate and to decide upon matters so vitally affecting our people and those of other lands.

Lacking wisdom, as all men do, help them to seek it from above. Needing light in these times of darkness, as all men do, cause them to seek it from Thee, the Father of Light. Requiring purifying motives and guidance, as all men do, enable them to seek it from the divine sources in Thee, and having received it, to remember gratefully from where it came and comes.

Accept our thanks for these servants of the people, the homes from which they come, and the people they represent in their respective States; and grant that they, in working with the President and his collaborators, may have a sense of dedication, responsibility, and purpose that will enable them, under Thee, to discharge their great obligations with statesmanlike devotion and dispatch, that they will merit the coveted approval from on high, "Well done, good and faithful servant."

This we ask, as we commend the Members of the Senate unto Thy care, in the name and for the sake of Jesus Christ, our Lord and Saviour. Amen.

DESIGNATION OF ACTING PRESIDENT PRO TEMPORE

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., February 18, 1960.
To the Senate:
Being temporarily absent from the Senate, I appoint Hon. SAM J. ERVIN, Jr., a Senator

from the State of North Carolina, to perform the duties of the Chair during my absence.

CARL HAYDEN,
President pro tempore.

Mr. ERVIN thereupon took the chair as Acting President pro tempore.

THE JOURNAL

On request of Mr. FREAR, and by unanimous consent, the reading of the Journal of the proceedings of Wednesday, February 17, 1960, was dispensed with.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries.

INTERNATIONAL DEVELOPMENT ASSOCIATION—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 345)

The ACTING PRESIDENT pro tempore laid before the Senate a message from the President of the United States, which, with the accompanying special report, was referred to the Committee on Foreign Relations.

(For text of President's message, see House proceedings for today.)

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. JOHNSON of Texas, and by unanimous consent, the following subcommittees were authorized to meet during the session of the Senate today:

The National Aeronautics and Space Administration Authorization Subcommittee of the Committee on Aeronautical and Space Sciences.

The Public Health, Education, Welfare, and Safety Subcommittee of the Committee on the District of Columbia.

ANNOUNCEMENT BY SENATOR SYMINGTON OF INTENTION TO ADDRESS THE SENATE ON NATIONAL DEFENSE

Mr. SYMINGTON. Mr. President, for the information of the Senate I announce that, immediately following the

morning hour tomorrow, I shall discuss on the floor of the Senate the question of our national defense.

TRANSACTION OF ROUTINE BUSINESS

Mr. FREAR. Mr. President, I ask unanimous consent that there may be the usual morning hour for the introduction of bills and the transaction of routine business, subject to a 3-minute limitation on statements.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

EXECUTIVE COMMUNICATIONS, ETC.

The ACTING PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated: AIRCRAFT CONTROL AND WARNING FACILITY AT PUNTA SALINAS, PUERTO RICO

A letter from the Assistant Secretary of Defense, reporting, pursuant to law, that approval has been granted for the construction of an aircraft control and warning facility with appurtenant roads and utilities, at Punta Salinas, Puerto Rico, at an estimated total cost of \$140,000; to the Committee on Armed Services.

AMENDMENT OF CAREER COMPENSATION ACT OF 1949, RELATING TO INCENTIVE PAY FOR CERTAIN SUBMARINE SERVICE

A letter from the Deputy Secretary of Defense, transmitting a draft of proposed legislation to amend the Career Compensation Act of 1949 with respect to incentive pay for certain submarine service (with an accompanying paper); to the Committee on Armed Services.

CONTINUATION OF AUTHORITY FOR REGULATION OF EXPORTS

A letter from the Under Secretary of Commerce, transmitting a draft of proposed legislation to provide for continuation of authority for regulation of exports, and for other purposes (with an accompanying paper); to the Committee on Banking and Currency.

REPORT OF D.C. TRANSIT SYSTEM, INC.

A letter from the president, D.C. Transit System, Inc., Washington, D.C., transmitting, pursuant to law, a report of the operations of that system, for the calendar year ended December 31, 1959 (with an accompanying report); to the Committee on the District of Columbia.

REPORT ON PERSONAL PROPERTY RECEIVED FOR DISTRIBUTION AND REAL PROPERTY DISPOSED OF TO PUBLIC HEALTH AND EDUCATION INSTITUTIONS

A letter from the Acting Secretary of Health, Education, and Welfare, transmitting, pursuant to law, a report covering personal property received by State surplus property agencies for distribution to public health and educational institutions and civil defense organizations, and all real property disposed of to public health and educational institutions, for the period October 1 through December 31, 1959 (with an accompanying report); to the Committee on Government Operations.

REPORT ON REVIEW OF FEDERAL-AID HIGHWAY PROGRAM, REGION 7—SAN FRANCISCO, CALIF.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the review of the Federal-aid highway program, region 7—San Francisco, Calif., Bureau of Public Roads, Department of Commerce, September 1958 (with an accompanying report); to the Committee on Government Operations.

REPORT OF PROVISION OF WAR RISK INSURANCE AND CERTAIN MARINE AND LIABILITY INSURANCE

A letter from the Secretary of Commerce, transmitting, pursuant to law, a report on the provision of war risk insurance and certain marine and liability insurance for the American public, as of December 31, 1959 (with an accompanying report); to the Committee on Interstate and Foreign Commerce.

REPORT OF FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION

A letter from the Secretary of Commerce, transmitting, pursuant to law, a report of the Federal Maritime Board and Maritime Administration, for the fiscal year 1959 (with an accompanying report); to the Committee on Interstate and Foreign Commerce.

PUBLICATIONS OF FEDERAL POWER COMMISSION

A letter from the Chairman, Federal Power Commission, Washington, D.C., transmitting, for the information of the Senate, a copy of each of the following publications: "Map, Major Natural Gas Pipe Lines in the United States, June 30, 1959"; "Map, Principal Electric Facilities, 1958"; "Volumes 14, 17, and 18 of FPC Reports"; "Typical Electric Bills, 1959"; "Statistics of Natural Gas Companies, 1958"; "Steam-Electric Plant Construction Cost and Annual Production Expenses, 1958"; "Statistics of Electric Utilities, 1958, Privately Owned"; "Hydroelectric Plant Construction Cost and Annual Production Expenses, 1958"; and "Statistics of Electric Utilities, 1958, Publicly Owned" (with accompanying documents); to the Committee on Interstate and Foreign Commerce.

2d Lt. JAMES F. RICHIE

A letter from the Secretary of the Army, transmitting a draft of proposed legislation for the relief of 2d Lt. James F. Richie (with an accompanying paper); to the Committee on the Judiciary.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented and referred as indicated:

By the ACTING PRESIDENT pro tempore:

A joint resolution of the Legislature of the State of Alaska; to the Committee on Interstate and Foreign Commerce:

"SENATE JOINT MEMORIAL 33

"To the Honorable DWIGHT D. EISENHOWER, PRESIDENT OF THE UNITED STATES; THE HONORABLE RICHARD NIXON, PRESIDENT OF THE SENATE; THE HONORABLE SAM RAYBURN, SPEAKER OF THE HOUSE OF REPRESENTATIVES; THE HONORABLE WARREN G. MAGNUSON, CHAIRMAN, SENATE INTERSTATE AND FOREIGN COMMERCE COMMITTEE; THE HONORABLE HERBERT C. BONNER, CHAIRMAN, HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE; THE HONORABLE E. L. BARTLETT AND THE HONORABLE ERNEST GRUENING, SENATORS FROM ALASKA; AND THE HONORABLE RALPH J. RIVERS, REPRESENTATIVE FROM ALASKA:

"Your memorialist, the Legislature of the State of Alaska in first legislature, second session assembled respectfully submits that:

"Whereas Public Law 85-739 as passed in August 1958, allows certain small vessels to transport merchandise to and from places within the inland waters of southeastern Alaska and Prince Rupert, British Columbia; and

"Whereas the vessels authorized by this law are operated by cooperatives and transport the merchandise of members on a non-profit basis; and

"Whereas the large, scheduled vessels serving southeastern Alaska cannot economically and expeditiously provide service between small fishing villages and the larger commercial and processing centers of southeastern Alaska; and

"Whereas considering the numerous and diverse waterways of southeastern Alaska and the dependence of the area on the fishing industry it can be seen that the operation of such small vessels is essential to the total economy of that part of the State; and

"Whereas the present Federal law authorizes the use of such small vessels only until March 15, 1960; and

"Whereas this time limitation leaves the operators of such vessels in doubt as to the status of their activities, and has a depressive effect on that part of the Alaskan economy that is dependent on inexpensive and effective transportation between the inland ports; and

"Whereas S. 2669 and H.R. 9124 now before the Congress would relieve this situation by extending the time within which such service is authorized:

"Now, therefore, your memorialist urges that all necessary action be taken to encourage, pass, and approve such Federal legislation to extend the limits of Public Law 85-739.

"Passed by the senate February 9, 1960.

"WILLIAM E. BELTZ,

"President of the Senate."

"Attest:

"KATHERINE T. ALEXANDER,

"Secretary of the Senate.

"Passed by the house February 11, 1960.

"WARREN A. TAYLOR,

"Speaker of the House.

"Attest:

"ESTHER REED,

"Chief Clerk of the House."

A concurrent resolution of the Legislature of the State of Kansas; to the Committee on Interior and Insular Affairs:

"SENATE CONCURRENT RESOLUTION 6

"Concurrent resolution memorializing the Congress of the United States to enact pending legislation which would establish the Fort Scott national historic site at Fort Scott, Kans.

"Whereas there are now pending in the Congress of the United States two bills, H.R. 6656 and S. 1568, which, if enacted into law, would establish the Fort Scott national historic site at Fort Scott, Kans., which would

include the old Federal fort in that city; and

"Whereas if action such as is contemplated by the bills pending in Congress is not taken at an early date it may become impossible to properly preserve the remains of the old Federal fort at Fort Scott; and

"Whereas in 1961 Kansas will be celebrating its centennial, and it would be extremely fitting and proper if the restoration of the fort in Fort Scott could be completed prior to that date: Now, therefore, be it

"Resolved by the Senate of the State of Kansas (the House of Representatives concurring therein), That we respectfully urge and request the Congress of the United States to speedily enact either H.R. 6656 or S. 1568, which are now pending in the Congress, and which, if enacted, would establish a national historic site at Fort Scott, Kans.; and be it further

"Resolved, That the secretary of state be directed to transmit a copy of this resolution to the President of the United States, the Vice President of the United States, and each Member of the Kansas delegation in the House of Representatives and the Senate of the United States.

"Adopted by the senate, February 8, 1960.

"JOSEPH W. HENKLE, Sr.,

"President of the Senate.

"RALPH E. ZARKER,

"Secretary of the Senate.

"Adopted by the house, February 10, 1960.

"JESS TAYLOR,

"Speaker of the House.

"A. E. ANDERSON,

"Chief Clerk of the House."

Resolutions of the General Court of the Commonwealth of Massachusetts, favoring an investigation to determine the causes of inflation and to enact remedial legislation; to the Committee on Finance.

(See the above resolutions printed in full when presented by Mr. SALTONSTALL (for himself and Mr. KENNEDY) on February 16, 1960, p. 2333, CONGRESSIONAL RECORD.)

Resolutions of the General Court of the Commonwealth of Massachusetts, favoring the enactment of legislation to implement the decisions of the Supreme Court of the United States outlawing segregation in the public school system; to the Committee on the Judiciary.

(See the above resolutions printed in full when presented by Mr. SALTONSTALL (for himself and Mr. KENNEDY) on February 16, 1960, p. 2334, CONGRESSIONAL RECORD.)

A resolution of the Legislative Council of the State of Washington; to the Committee on Public Works:

"LEGISLATIVE COUNCIL MEMORIAL 1

"To the Honorable Dwight D. Eisenhower, President of the United States, the President of the Senate and Speaker of the House of Representatives, and to the Senate and the House of Representatives of the United States, in Congress Assembled

"We, your memorialists, the Legislative Council of the State of Washington, in regular quarterly session assembled this 30th day of January 1960, respectfully represent and petition as follows:

"Whereas the State of Washington, and more particularly the counties of King, Skagit and Snohomish have recently suffered the most severe and devastating floods in 18 years; and

"Whereas the preliminary report of the District Engineer of the U.S. Army Corps of Engineers estimates the damage in the said counties is in excess of \$10,500,000; and

"Whereas immediate Federal and State action is essential in order to alleviate the danger of recurrence of such floods during the period of the spring runoff in the western Cascade Mountains within said counties; and

the crisis and support the work that we are doing. So this is much more than a question of money.

Mr. YATES. Let me point out that there is involved here too the question of psychology. The gentleman from Michigan is talking about reductions in appropriations by a Democratic Congress. I think some of the reductions have been deplorable. But is this not a perfectly natural thing to have done when one considers the psychological impact not only of the President's demands in stressing economy, but of the former Secretary of the Treasury, George Humphrey, who came before our Committee on Appropriations at a time when the President's budget had been submitted only a few days before, and saying that the budget can be cut? He was the one who said the budget could be cut. And when the President was asked about that, he, too, said he thought the budget could be cut in some respects. The President himself sent up this budget. The President did not protest as to any reductions that had been made by the Congress. He could have vetoed the bills if he thought the reductions were too drastic. He paid no attention to them. As a matter of fact, I would not be surprised if the President did not approve of the reductions that had been made in view of the statements that he had been making.

Mr. HECHLER. Mr. Speaker, with respect to the Polaris submarine, I would like to point out that in the fiscal year 1958 supplemental appropriation, the President recommended appropriations for three Polaris submarines, and the Congress appropriated funds for three Polaris submarines. Now in the fiscal year 1959, the President's budget recommended two Polaris submarines, but the Congress appropriated funds for six Polaris submarines.

Although Congress appropriated the funds in the summer of 1958 for these additional Polaris submarines, the Bureau of the Budget withheld funds for one Polaris submarine until December 30, 1958, and the Bureau of the Budget refused to release funds for three additional submarines until the very last day of the 1959 fiscal year—June 30, 1959.

Mr. Speaker, I would like to suggest that at this moment the subcommittee of the House Committee on Science and Astronautics on which I am serving is meeting, and I feel it incumbent to attend that meeting.

I ask unanimous consent at this point that all Members may extend their remarks in the Record.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

INTERNATIONAL DEVELOPMENT ASSOCIATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 345)

The SPEAKER laid before the House the following message from the President of the United States, which was read by the Clerk and referred to the

Committee on Foreign Affairs and ordered to be printed:

To the Congress of the United States:

I herewith submit to the Congress the articles of agreement for the establishment of the International Development Association. I recommend legislation authorizing U.S. membership in the Association and providing for payment of the subscription obligations prescribed in the articles of agreement.

The Association is designed to assist the less developed countries of the free world by increasing the flow of development capital on flexible terms. The advisability of such an institution was proposed by Senate Resolution 264 of 1958. Following this resolution, the National Advisory Council on International Monetary and Financial Problems undertook a study of the question. The Council's conclusions and the favorable response of representatives of other governments who were consulted during the course of the study have resulted in the articles of agreement which satisfy the objectives of that resolution and which I am submitting herewith. The accompanying special report of the Council describes the articles in detail.

We all know that every country needs capital for growth but that the needs are greatest where income and savings are low. The less developed countries need to secure from abroad large amounts of capital equipment to help in their development. Some part of this they can purchase with their current savings, some part they can borrow on conventional terms, and some part is provided by private foreign investors. But in many less developed countries, the need for capital imports exceeds the amounts they can reasonably hope to secure through normal channels. The Association is a multilateral institution designed to provide a margin of finance that will allow them to go forward with sound projects that do not fully qualify for conventional loans.

In many messages to the Congress, I have emphasized the clear interest of the United States in the economic growth of the less developed countries. Because of this fundamental truth the people of our country are attempting in a number of ways to promote such growth. Technical and economic aid is supplied under the mutual security program. In addition, many projects are assisted by loans from the Export-Import Bank, and we also participate with other free world countries in the International Bank for Reconstruction and Development which is doing so much to channel funds, mainly from private sources, to the less developed areas. While we have joined with the other American Republics in the Inter-American Development Bank, there is no wide international institution which, like our Development Loan Fund, can help finance sound projects requiring a broad flexibility in repayment terms, including repayment in the borrower's currency.

Conceived to meet this need, the International Development Association represents a joint determination by the economically advanced countries to help accelerate progress in the less developed

countries. It is highly gratifying that so many other free world countries are now ready to join with us in this objective.

The Association is a cooperative venture, to be financed by the member governments of the International Bank. It is to have initial subscriptions totaling \$1 billion, of which the subscription of the United States would be \$320.29 million and the subscriptions of the other economically strong countries would be \$442.78 million. The funds made available by these countries would be freely convertible. The developing countries would subscribe \$236.93 million, of which 10 percent would be freely convertible. Members would pay their subscriptions over a 5-year period and would periodically reexamine the adequacy of the Association's resources.

The International Development Association thus establishes a mechanism whereby other nations can join in the task of providing capital to the less developed areas on a flexible basis. Contribution by the less developed countries themselves, moreover, is a desirable element of this new institution. In addition, the Association may accept supplementary resources provided by one member in the currency of another member. Thus, some part of the foreign currencies acquired by the United States primarily from its sales of surplus agricultural commodities may be made available to the Association when desirable and agreed to by the member whose currency is involved.

The articles of agreement give the Association considerable scope in its lending operations so that it can respond to the varied needs of its members. And because it is to be an affiliate of the International Bank, it will benefit from the long and successful lending experience of the Bank. By combining the Bank's high standards with flexible repayment terms, it can help finance sound projects that cannot be undertaken by existing sources. With a framework that safeguards existing institutions and traditional forms of finance, the Association can both supplement and facilitate private investment. It will provide an extra margin of capital that can give further momentum to growth in the developing countries on terms that will not overburden their economies and their repayment capacities.

The peoples of the world will grow in freedom, toleration, and respect for human dignity as they achieve reasonable economic and social progress under a free system. The further advance of the less developed areas is of major importance to the nations of the free world, and the Association provides an international institution through which we may all effectively cooperate toward this end. It will perform a valuable service in promoting the economic growth and cohesion of the free world. I am convinced that participation by the United States is necessary, and I urge the Congress to act promptly to authorize the United States to join with the other free nations in the establishment of the Association.

DWIGHT D. EISENHOWER.
THE WHITE HOUSE, February 18, 1960.

BOARD OF VISITORS, U.S. MERCHANT MARINE ACADEMY

The SPEAKER. Pursuant to the provisions of 46 U.S.C. 1126c, the Chair appoints as members of the Board of Visitors to the U.S. Merchant Marine Academy the following Members on the part of the House: Mr. HOLTZMAN, New York; Mr. McINTIRE, Maine.

AGRICULTURAL ACCOMPLISHMENTS DURING THE EISENHOWER ADMINISTRATION

The SPEAKER. Under previous order of the House, the gentleman from Iowa [Mr. HOEVEN] is recognized for 30 minutes.

Mr. HOEVEN. Mr. Speaker, this morning the Secretary of Agriculture made a most comprehensive and imperative statement regarding our agricultural accomplishments and achievements during the Eisenhower administration. He further amplified and explained the President's recent special farm message to the Congress.

The statement is as follows:

STATEMENT BY SECRETARY OF AGRICULTURE EZRA TAFT BENSON BEFORE THE HOUSE COMMITTEE ON AGRICULTURE, FEBRUARY 18, 1960

Mr. Chairman and members of the committee, I appreciate the opportunity to discuss our agriculture's problems with you once again.

This is the beginning of my 8th year as Secretary of Agriculture. Since I first assumed office we have met often, and I believe we can agree that we have mutually made substantial gains in some areas but most regrettably have left much to be desired in others. We have a common goal, one especially meaningful to me, a farmer for many years—the goal of building a better, more rewarding, more dependable, present and future for the men, women and children who live on our Nation's farms. I am here today to work cooperatively with you toward this goal.

THE PRESENT POSITION OF AGRICULTURE

It is always exhilarating and deeply gratifying to me to recount the tremendous advances in agricultural technology and efficiency. The remarkable surge in productivity of 1958, when crop output rose 11 percent and total production 8 percent, was followed last year by another 12 months of record output. In 1959, crop production equaled the 1958 record, while livestock production rose about 2½ percent.

All of this is a salute to our farmers, truly America's finest people.

Increasing efficiency

Our farmers and ranchers are working marvels in producing an abundance of food and fiber. Their productivity is growing more than twice as fast as the productivity of workers in industry. Since 1950, output per man-hour in nonagricultural industry has risen at a rate of 2 percent per year. The increase of output per man-hour in agriculture has averaged 5 percent per year. This fact illustrates the futility of attempting to control total production of a few crops by the present system of acreage allotments and marketing quotas.

In 1939, when World War II broke out in Europe, American farmers produced 11.8 million bales of cotton on 24 million acres. In 1959 they produced 28 percent more cotton on some 35 percent fewer acres.

In 1939, farmers produced 740 million bushels of wheat on 52½ million acres. In 1959 they produced about 50 percent more wheat on about the same acreage. In 1958,

on comparable acreage, the wheat crop hit 1,460 million bushels—nearly double 1939.

Both land and animals have been made much more productive. There are over 60 million beef cattle and calves on the same pastures and range lands that in 1939 supported only 30 million head.

In 1959 there were about 4 million fewer dairy cows on U.S. farms than in 1939. But each cow produced on the average nine-tenths of a ton more milk, and total dairy production was about 18 billion pounds higher.

For every two eggs a hen laid in 1939, today's hen is laying three.

A man-hour of farm labor in 1959 produced nearly three times what it did 20 years ago. In World War I we produced our farm commodities with 13½ million workers; in World War II, with 10½ million workers. Today there are only 7 to 7½ million farm workers. But total output is one-third higher than in World War II and nearly double that of World War I.

As Secretary of Agriculture, and as one who has himself struggled with the practical problems of farming, I report these facts to this committee with great pride. America's farmers have accomplished results beyond any other section of our country's economy. We should praise them for it.

Benefits to all

Moreover, their unmatched productivity has given all our people far better diets, and helped give them far better health. It has done much to make possible the rising standard of living in the Nation at large. It has released manpower for industry and the professions. It has made food a good buy and kept it a good buy. Our people today purchase much more food for an hour's take home pay than they could a generation ago.

There is probably no field of economic activity in which the United States is so clearly a world leader as it is in agriculture. Never in any nation or civilization have so many been so well fed by so small a proportion of the population. Never has America owed more gratitude to its people in agriculture.

I stress this point because of the growing tendency in some quarters to blame the farmer for agricultural surpluses and the big agricultural budget. With all the forcefulness at my command I say that this is false and unfair. As regards surpluses our farmers have simply done as their Government has persistently urged. They have responded to the governmental incentives of high mandatory price supports and too weak controls, just as all other citizens do and would do. Moreover as farmers well know, a substantial part of the expenditures of the Department of Agriculture benefit all segments of the population and are used effectively in international relations.

Stability in agriculture

Of course there are continuing problems and these I will discuss later. But these heartening facts should not be overlooked.

Total agricultural assets are at an all-time high of \$208.2 billion.

Total debt owed by farmers is \$24 billion, or only 11½ percent of agricultural assets.

The net equity of U.S. farmers is \$184.2 billion—an increase of \$33 billion since 1952 and \$141 billion since 1940.

Per capita income from all sources of persons living on farms last year was \$960, \$109 more than the 1947-49 average.

Farm ownership is record high, with two out of three farms free of mortgage debt.

Farm foreclosures are extremely rare—near a record low.

The overall stability of agriculture evidenced by such facts as these does not mean, of course, that farmers and ranchers are free of economic difficulties. On the

contrary, many farm people have not shared adequately in the national prosperity of the past decade. And one major cause has been the impact of inflation on farmers' costs of operation.

Inflation

Between 1939 and 1952 the index of prices paid by farmers, including interest, taxes, and wage rates, rose from 123 to 287—133 percent. In January 1960 the index stood at 299—up only 4 percent from 1952. But the damage had already been done.

Here is what the immediate postwar inflation did to farmers from 1946 to 1952. Gross farm income increased from \$30 billion in 1946 to \$37 billion in 1952—a rise of \$7 billion. But as compared with the 1946 level realized net farm income had actually dropped by \$900 million by 1952.

The trouble is, agriculture is not like many other businesses, for farmers by and large cannot pass along their increased costs by raising prices.

It is true that during the war demands for farm products increased sharply and farmers' prices rose faster than the prices they had to pay.

But as demand later fell back and farmers' prices sharply dropped, their prices and costs went down only nominally and then soon rose again. Since then the heavy supply situation in agriculture generally and the enormous surpluses of some crops in particular have put a brake on overall price increases of farm products.

Inflation in the nonfarm economy although greatly slowed is still slowly creeping upward. The December 1959 Bureau of Labor Statistics Consumer Price Index shows prices of services and consumer goods (other than food) up 2.4 percent as compared to a year earlier. The benefits of wider markets for farmers and lower prices for consumers are prevented by persistent cost inflation. In 1959 the retail cost of a typical market basket of farm foods was 13 percent more than 10 years earlier but the farmer received almost 8 percent less for those same foods.

Inflation is constantly dipping into farmers' "keep home" pay. Government can help stop inflation by exercising restraint in its expenditures and sound control over credit, and in this fight a balanced budget is a powerful factor in the fight against inflation. Other segments of the economy, such as labor and management, must do a better job in holding down costs so that farmers' production expenses will not rise further. It will be better still, as productivity improves in industry when savings can be passed along in lower prices.

Farm income

I am deeply concerned about the drop in farm net income last year. It was caused by lower prices of some products, notably hogs, broilers, and eggs, the elimination of the acreage reserve program, and higher production costs.

Realized gross farm income is estimated at \$36.9 billion in 1959. This is about the same as in 1951 and 1952. However, the realized net income of farm operators from farming totaled \$11 billion last year—compared with \$13.1 billion in 1958, but about the same as in 1957.

We look for improvement in some commodities in 1960. Besides record cash receipts from dairying, we anticipate an increase in income from poultry and eggs and a rise in hog prices. I am happy to report that the farm price index went up three points in January. I certainly hope, as our farmers do, that this trend will continue.

PROGRESS OF BASIC USDA PROGRAMS

It is, unfortunately, not generally realized, but much of our USDA expenditures benefit the entire Nation rather than farmers alone.

Attention seems always to center on price and income activities, but the old-line pro-

S. 3074

FEBRUARY 19 (legislative day, FEBRUARY 15), 1960

A BILL

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

4 SECTION 1. This Act may be cited as the “International
5 Development Association Act”.

7 SEC. 2. The President is hereby authorized to accept
8 membership for the United States in the International De-
9 velopment Association (hereinafter referred to as the "Asso-
10 ciation"), provided for by the articles of agreement (here-
11 inafter referred to as the "articles") of the Association de-

1 posited in the archives of the International Bank for Recon-
2 struction and Development.

3 GOVERNOR, EXECUTIVE DIRECTOR, AND ALTERNATES

4 SEC. 3. The Governor and Executive Director of the
5 International Bank for Reconstruction and Development, and
6 the alternate for each of them, appointed under section 3
7 of the Bretton Woods Agreements Act, as amended (22
8 U.S.C. 286a), shall serve as Governor, Executive Director,
9 and alternates, respectively, of the Association.

10 NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONE-
11 TARY AND FINANCIAL PROBLEMS

12 SEC. 4. The provisions of section 4 of the Bretton Woods
13 Agreements Act, as amended (22 U.S.C. 286b), shall apply
14 with respect to the Association to the same extent as with
15 respect to the International Bank for Reconstruction and
16 Development and the International Monetary Fund. Re-
17 ports with respect to the Association under paragraphs (5)
18 and (6) of subsection (b) of section 4 of said Act, as
19 amended, shall be included in the first report made there-
20 under after the establishment of the Association and in each
21 succeeding report.

22 CERTAIN ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

23 SEC. 5. Unless Congress by law authorizes such action,
24 neither the President nor any person or agency shall, on
25 behalf of the United States, (a) subscribe to additional funds

1 under article III, section 1, of the articles; (b) accept any
2 amendment under article IX of the articles; or (c) make a
3 loan or provide other financing to the Association, except that
4 loans or other financing may be provided to the Association
5 by a United States agency created pursuant to an Act of
6 Congress which is authorized by law to make loans or pro-
7 vide other financing to international organizations.

8 DEPOSITORIES

9 SEC. 6. Any Federal Reserve bank which is requested to
10 do so by the Association shall act as its depository or as its
11 fiscal agent, and the Board of Governors of the Federal
12 Reserve System shall supervise and direct the carrying out
13 of these functions by the Federal Reserve banks.

14 PAYMENT OF SUBSCRIPTIONS

15 SEC. 7. (a) There is hereby authorized to be appropri-
16 ated, without fiscal year limitation, for the subscription of the
17 United States to the Association, \$320,290,000.

18 (b) For the purpose of keeping to a minimum the cost
19 to the United States of participation in the Association, the
20 Secretary of the Treasury, after paying the requisite part of
21 the subscription of the United States in the Association re-
22 quired to be made under the articles, is authorized and di-
23 rected to issue special notes of the United States from time to
24 time, at par, and to deliver such notes to the Association in
25 exchange for dollars to the extent permitted by the articles.

1 The special notes provided for in this subsection shall be
2 issued under the authority and subject to the provisions of
3 the Second Liberty Bond Act, as amended, and the purposes
4 for which securities may be issued under that Act are ex-
5 tended to include the purposes for which special notes are
6 authorized and directed to be issued under this subsection,
7 but such notes shall bear no interest, shall be nonnegotiable,
8 and shall be payable on demand of the Association. The
9 face amount of special notes issued to the Association under
10 the authority of this subsection and outstanding at any one
11 time shall not exceed, in the aggregate, the amount of the
12 subscription of the United States actually paid to the Associa-
13 tion under the articles.

14 (c) Any payment made to the United States by the
15 Association as a distribution of net income shall be covered
16 into the Treasury as a miscellaneous receipt.

17 JURISDICTION AND VENUE OF ACTIONS

18 SEC. 8. For the purpose of any action which may be
19 brought within the United States, its possessions, or the
20 Commonwealth of Puerto Rico, by or against the Associa-
21 tion in accordance with the articles, the Association shall be
22 deemed to be an inhabitant of the Federal judicial district
23 in which its principal office in the United States is located,
24 and any such action at law or in equity to which the Asso-
25 ciation shall be a party shall be deemed to arise under the

1 laws of the United States, and the district courts of the
2 United States shall have original jurisdiction of any such
3 action. When the Association is a defendant in any such
4 action, it may, at any time before the trial thereof, remove
5 such action from a State court into the district court of
6 the United States for the proper district by following the
7 procedure for removal of causes otherwise provided by law.

8 STATUS, IMMUNITIES, AND PRIVILEGES

9 SEC. 9. The provisions of article VII, section 5 (d),
10 and article VIII, section 2 to 9, both inclusive, of the
11 articles shall have full force and effect in the United States,
12 its possessions, and the Commonwealth of Puerto Rico, upon
13 acceptance of membership by the United States in, and the
14 establishment of, the Association.

A BILL

To provide for the participation of the United States in the International Development Association.

By Mr. FULBRIGHT

FEBRUARY 19 (legislative day, FEBRUARY 15), 1960
Read twice and referred to the Committee on
Foreign Relations

status quo can only weaken our national foundations and hasten the decline of our position of leadership in the world.

It is in these nonmilitary areas then where the future opportunity for the strengthening of America's position in the world lies. By helping other peoples in technological and economic ways to help themselves by a massive exchange of persons; and through a conscious employment of our ideals and principles as guideposts between which to channel the forces of the world revolution now sweeping the earth, we not only acquire a new sense of direction ourselves, but we offer a hope and a challenge to those millions who aspire only to a better life.

Such a program has the obvious advantage of being positive and constructive rather than negative and defensive. It is aimed at helping people just because they are people and not because the groups involved are against Russians, or against Chinese, or against totalitarianism, or are willing (or unwilling) allies.

It is time that America faced this new opportunity for exciting the peoples of the rest of the world. It is this kind of concept which represents the true goals of the American ideal; which reflects the deep purposes of the American way of life; which consummates the ultimate of what Ralph Waldo Emerson once called the American dream.

THE CHESSMAN EXECUTION

Mr. FULBRIGHT. Mr. President, I was quite surprised and nonplused when I read on the news ticker a few moments ago that Assistant Secretary of State Rubottom had injected his office and advice into the highly controversial Chessman case, in California. According to the ticker, the Assistant Secretary of State sent the following telegram to the Governor of California:

Through our Embassy in Montevideo the National Council of the Government of Uruguay (the Nation's nine-member executive authority) has tonight (Thursday) brought to urgent attention of State Department grave concern of council over anticipated hostile demonstrations of student elements and others to Chessman execution when our President visits Uruguay March 2.

ROY R. RUBOTTOM, JR.,
Assistant Secretary for Inter-American Affairs.

Mr. President, I have not made a search of the precedents; but to my limited knowledge, and within my experience, I believe this is an unprecedented action by the Department of State, in interfering with the normal carrying out of justice within a State.

In that connection, today's Washington Post has published, on page 13, an article which gives a summary of the reactions of various persons in Europe. I wish to read several of their comments.

From the Paris *Le Monde*, which is one of the leading and most influential papers in France, I read what it had to say:

If he was guilty, why add to the death penalty the agony of 12 years?

The article states further:

It was this aspect of the case—Chessman's long wait for death—which angered many in Europe, where few countries still have capital punishment. Europeans generally are not as concerned about the conviction as they are about his 12 years in the shadow of the gas chamber.

The Manchester Guardian wrote:

There is something radically wrong with a judicial system that can allow delays such as the 12-year ordeal which Chessman has endured in a death cell.

L'Osservatore Romano, the Vatican newspaper, pleaded for mercy for Chessman. "It is no longer a judicial question, but only a humane question," the paper said.

Mr. President, I think it is a very disturbing element in the ordinary administration of justice within our States, that we are now being pressured either by groups of people in European countries or by incipient mobs of students in a Latin American country. I, too, think that the course of justice in this case exposes our whole country and our judicial system to ridicule and contempt by civilized people. I think the delay itself was unfortunate. But I also think the interference by the State Department in the administration of justice at the last moment, causing further delay, would likewise be regrettable.

There may be facts about the case that I do not know, but, according to the press report and the ticker tape report, I think it is a very questionable procedure.

Mr. President—

Mr. ALLOTT. Mr. President, will the Senator yield before he moves to another subject?

Mr. FULBRIGHT. Yes, I yield to the Senator from Colorado.

Mr. ALLOTT. Mr. President, I should like to join the Senator from Arkansas in the general context of the remarks he has just made. I read the dispatch this afternoon and it seems to me the action by the State Department is contrary to the sense and knowledge of our judicial system as it exists in this country. I would hesitate to think, applying this question on a more local basis, that if the courts of my own State had convicted a slayer—and we still have the death penalty in Colorado—the Governor would be subject to the pressure of the State Department or any other part of our Federal Government in procuring a delay of a sentence that was about to be executed.

In other words, Mr. President, the judicial processes are accomplished through long and tedious procedures. If it had not been for the fact that every possible effort was made to be sure that protection was given to an accused criminal in our country, this man would never have been able to delay execution of the sentence for 12 years.

As a matter of fact, the delay is due to his unusual tenacity in clinging to various appeals which he thought might offer him some relief, although they were uncertain appeals and did not afford him much protection.

Behind all the circumstances of the case is lost the fact that this man is a convicted criminal and a man convicted of bestial crimes on women, crimes too bestial even to be printed in public records.

I would not want to get into the argument as to whether or not the death sentence is warranted. That question is

something which each State must decide for itself and which each person must decide for himself.

Certainly, without more explanation than has been given, I cannot imagine anything that would warrant interference by the State Department. In my opinion, I think this is an unwarranted intervention in the rights of the judicial processes of a State.

If this practice were permitted, the States would soon be reduced to a status in which any minority group or any well organized group of a country could raise so much fuss about a particular conviction that soon our State Department would become concerned about it, and would then contact the local authorities. The minute such procedure would be condoned, we would have surrendered a part not only of State sovereignty, but we would have surrendered a part of our national sovereignty. I must say I agree with the Senator from Arkansas in every respect. I believe this is a very, very dangerous development.

Mr. FULBRIGHT. I thank the Senator for his observation. As the Senator has said, it is a very complicated matter. There are many aspects of it, but the one for which I feel some responsibility is the intervention of the State Department. What justification the State Department has for interjecting its views into the matter is quite beyond me.

The State Department says this was done because the President is going to Uruguay. If the situation is so dangerous in Uruguay that this case would make that much of a difference, the President had better not go there. He does not have to go to Uruguay. He can go to Paraguay, or he can go somewhere else. It seems to me that is a very shallow and superficial reason to give for intervention by the State Department in this particular case.

If the Governor of the State has reasons for whatever action he may see fit to take, it is his place to act. It is not my responsibility to criticize him. I think the State Department has no business intervening in this kind of affair, and I do not believe anybody would convince me that such action is a part of the functions of the Department.

Mr. ALLOTT. Mr. President, will the Senator yield a little further?

The PRESIDING OFFICE (Mr. McGEE in the chair). Does the Senator from Arkansas yield to the Senator from Colorado?

Mr. FULBRIGHT. Yes.

Mr. ALLOTT. Mention has been made about the Governor of California. I think we ought to make the Record clear that the Governor of California is endowed by the Constitution of his State with the power to exert executive clemency on whatever basis he sees fit, and none of us can question that power, and certainly not those who reside outside the State of California. It certainly is an entirely different situation when the State Department of our Nation takes a hand in the case.

I thank the Senator from Arkansas for yielding to me.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. FULBRIGHT. Mr. President, by request I introduce, for appropriate reference, a bill to provide for the participation of the United States in the International Development Association—IDA. The President's message and the report on the IDA by the National Advisory Council have been received, and I am introducing this proposed legislation in order that there may be a specific bill to which Members of the Senate and the public may direct their attention and comments.

I believe my colleagues will find it useful to have a short summary of the more notable provisions of the bill and the new institution. But first I want to take this opportunity to pay tribute to the broad vision, the initiative, and the persistence of a colleague who has done more than any other single person to bring the IDA into being. I am, of course, referring to Senator A. S. Mcke MONRONEY, whose great capabilities and whose activities in his country's behalf are too well known to require elaboration.

Mr. President, many of us in this Chamber, believing that the slogan "business as usual" is the exact antithesis of the proper approach to these dangerous and fast-moving times, have risen to deplore executive branch immobility and to call for new and imaginative proposals. All too often the response has been a figurative shrug, a challenge to name a few such proposals off the cuff, and a continued obsessive sojourn in the countinghouse counting out the money; it is regrettable, meanwhile, that the public rather than the royal nose is being tweaked.

Today, however, I am glad to have occasion to stress both an example of a fresh, imaginative proposal and a clear-cut instance of congressional initiative. We are much indebted for both to the junior Senator from Oklahoma. Yet, lest I be accused—no matter how erroneously—of speaking in a partisan manner, I hasten to add that the executive branch, having finally been persuaded of the merits of the idea, should be congratulated for moving rapidly to bring it to fruition.

Now, the bill I have been requested to introduce to provide for U.S. membership in the IDA is closely modeled upon the Inter-American Development Act, which in turn was patterned after the Bretton Woods Agreements Act. Members of the Senate, therefore, will presumably be quite familiar with the terms employed in this proposed legislation. I shall limit myself to pointing out two important provisions in the bill: First, the U.S. Governor and Executive Director and alternates of the International Bank for Reconstruction and Development will act in the same capacities with respect to the IDA; second, the bill authorizes to be appropriated, without fiscal year limitation, a U.S. total subscription of \$320,290,000. But it should be noted that this sum would be paid in over a 5-year period.

As indicated by the first point just made, the IDA will be a subsidiary of the

World Bank; it will have the same strong management, which has built up IBRD reserves of over \$450 million, and it will depend at least initially on existing staff and facilities. The same 68 member governments of the Bank are being invited to join and to subscribe funds.

The most notable feature of the IDA will be its ability to provide loans to its less-developed members on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans. This financing will in part be provided for projects of the type financed by the IBRD, and in part for development projects which are important to the area concerned but not immediately productive. Such financing will only be available if it cannot be obtained on reasonable terms from other sources.

From the U.S. point of view, the most important aspects of the IDA include its future status as the only international institution which would provide development financing on flexible terms with the broad participation of other industrialized nations besides the United States. This latter point is related to our current efforts to induce Western European and other highly developed countries to share the problem of helping less privileged nations in the free world.

The methods of providing funds for the IDA's operations are the unique feature of the institution. If all IBRD members join and accept their proportionate subscriptions, the initial resources of the IDA will total \$1 billion. However, member countries are divided into two groups for subscription purposes, and the 17 more industrialized nations in group I will provide about \$763 million as against the roughly \$237 million subscribed by the less developed members in group II. Subscriptions will be payable over a 5-year period, and countries in both groups will make 10 percent of these payments in gold or freely convertible currencies. As for the remaining 90 percent of these initial subscriptions, they will be paid in gold or convertible currencies by group I members in five annual installments, whereas group II members will pay those installments in national currencies which the IDA cannot convert or use to finance exports from the country concerned without its consent—which the executive directors hope will be granted at an increasing rate.

Under these provisions, the first U.S. payment—combining the portions of the 10 and 90 percent components—would be approximately \$74 million. Pending annual payments of about \$62 million in each of 4 years thereafter, the balance of the total U.S. subscription would be held in noninterest bearing Treasury notes.

Finally, and very significantly, the IDA may also receive from any member, beyond its own subscription, supplementary resources in another member's currency provided the latter country does not object. Thus, the United States, for example, might offer to IDA some of the foreign currency holdings derived from

surplus commodity sales under Public Law 480.

It should be noted that the IDA would have available during its first year of operation—which cannot begin before mid-September of 1960—less than \$190 million in freely convertible currencies or gold.

Mr. President, in conclusion, I ask unanimous consent that the bill providing for U.S. membership in the International Development Association be printed in the RECORD at this point.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD.

The bill (S. 3074) to provide for the participation of the United States in the International Development Association, introduced by Mr. FULBRIGHT, by request, was received, read twice by its title, referred to the Committee on Foreign Relations, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "International Development Association Act."

ACCEPTANCE OF MEMBERSHIP

SEC. 2. The President is hereby authorized to accept membership for the United States in the International Development Association (hereinafter referred to as the "Association"), provided for by the Articles of Agreement (hereinafter referred to as the "Articles") of the Association deposited in the archives of the International Bank for Reconstruction and Development.

GOVERNOR, EXECUTIVE DIRECTOR, AND ALTERNATES

SEC. 3. The Governor and Executive Director of the International Bank for Reconstruction and Development, and the alternate for each of them, appointed under section 3 of the Bretton Woods Agreements Act, as amended (22 U.S.C. 286a), shall serve as Governor, Executive Director and alternates, respectively, of the Association.

NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

SEC. 4. The provisions of section 4 of the Bretton Woods Agreements Act, as amended (22 U.S.C. 286b), shall apply with respect to the Association to the same extent as with respect to the International Bank for Reconstruction and Development and the International Monetary Fund. Reports with respect to the Association under paragraphs (5) and (6) of subsection (b) of section 4 of said Act, as amended, shall be included in the first report made thereunder after the establishment of the Association and in each succeeding report.

CERTAIN ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

SEC. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States, (a) subscribe to additional funds under article III, section 1, of the articles; (b) accept any amendment under article IX of the articles; or (c) make a loan or provide other financing to the Association, except that loans or other financing may be provided to the Association by a United States agency created pursuant to an Act of Congress which is authorized by law to make loans or provide other financing to international organizations.

DEPOSITORIES

SEC. 6. Any Federal Reserve bank which is requested to do so by the Association shall

act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

PAYMENT OF SUBSCRIPTIONS

SEC. 7. (a) There is hereby authorized to be appropriated, without fiscal year limitation, for the subscription of the United States to the Association, \$320,290,000.

(b) For the purpose of keeping to a minimum the cost to the United States of participation in the Association, the Secretary of the Treasury, after paying the requisite part of the subscription of the United States in the Association required to be made under the articles, is authorized and directed to issue special notes of the United States from time to time, at par, and to deliver such notes to the Association in exchange for dollars to the extent permitted by the articles. The special notes provided for in this subsection shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the purposes for which special notes are authorized and directed to be issued under this subsection, but such notes shall bear no interest, shall be nonnegotiable, and shall be payable on demand of the Association. The fact amount of special notes issued to the Association under the authority of this subsection and outstanding at any one time shall not exceed, in the aggregate, the amount of the subscription of the United States actually paid to the Association under the articles.

(c) Any payment made to the United States by the Association as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

JURISDICTION AND VENUE OF ACTIONS

SEC. 8. For the purpose of any action which may be brought within the United States, its possessions, or the Commonwealth of Puerto Rico, by or against the Association in accordance with the articles the Association shall be deemed to be an inhabitant of the Federal judicial district in which its principal office in the United States is located, and any such action at law or in equity to which the Association shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of any such action. When the Association is a defendant in any such action, it may, at any time before the trial thereof, remove such action from a State court into the district court of the United States for the proper district by following the procedure for removal of causes otherwise provided by law.

STATUS, IMMUNITIES AND PRIVILEGES

SEC. 9. The provisions of article VII, section 5(d), and article VIII, sections 2 to 9, both inclusive, of the articles shall have full force and effect in the United States, its possessions, and the Commonwealth of Puerto Rico, upon acceptance of membership by the United States in, and the establishment of, the Association.

Mr. MONRONEY. Mr. President, I thank the distinguished chairman of the Committee on Foreign Relations not only for the introduction of the bill, but also for the kind words he said about the part the junior Senator from Oklahoma played in respect to this new international financial institution.

I should like to say that as chairman of the Committee on Banking and Currency the distinguished junior Senator from Arkansas [Mr. FULBRIGHT] gave us our first encouragement as to the possi-

bilities of such an institution. It was from the Committee on Banking and Currency that the resolution urging serious study of the proposal and a report to Congress came in 1958. Without the interest of the distinguished Senator, and his aid throughout the entire period of the hearings and later modification of original form of the resolution, I am certain there would have been no International Development Association.

The interest of the distinguished junior Senator from Arkansas in foreign aid, and particularly in the development of underdeveloped countries, has been one of the significant factors in this Nation's securities in that field. Certainly this is a new phrase in which, as the Senator so aptly predicts, there is an opportunity for the developing countries of the world to join in a mutual program which can provide a fruitful, sane, common-sense effort of self-help through loans of longer duration and at lower interest than would be possible in the ordinary bank loans offered by the World Bank.

Mr. FULBRIGHT. Will the Senator yield?

Mr. MONRONEY. I am happy to yield.

Mr. FULBRIGHT. I appreciate the Senator's recalling the early days with respect to the proposal. I remember when the Senator first proposed it, and I remember also the meetings and discussions in the committee as well as certain private meetings where the idea was promulgated. I think this is one of the rather rare examples where an idea which is incubated in such meetings in the committee and among Members of the Senate finally is brought to fruition. We have a bill as to which there really is agreement on the part of a sufficient number of nations—they have not formally agreed, but it is my understanding they have informally agreed—so that there is little doubt the organization will come into being.

Again I wish to express my appreciation, and I know the appreciation of the Senate and of the country, for the Senator's contribution to this organization. Under the direction of the International Bank, which has already proved its capacity and its efficiency in this field abroad, this organization will make a great contribution to the overall effort in which we are engaged in helping to develop the underdeveloped countries of the world.

This is a new approach. It is supplementary to the World Bank, and I think it is a very worthwhile organization.

Mr. MONRONEY. Mr. President, I deeply appreciate what the distinguished chairman of the Foreign Relations Committee has said. However, I would be less than realistic if I did not say that if it had not been for his encouragement and his participation as chairman of the parent committee reporting the bill, there would have been no bill. Neither would there have been an International Development Association, without support from many other Members of the Senate.

One of the greatest sources of help we received was the distinguished senior Senator from Connecticut [Mr. BUSH] a Republican member of the Committee

on Banking and Currency. When it appeared that we were deadlocked and could not get a bill without further explanation or persuasion on the part of people who had had experience in this field, the Senator from Connecticut got together a private meeting of the Banking and Currency Committee to receive such information as was necessary to convince several members of the full committee that this was a feasible, plausible, and profitable way for the world to join in extending credit under institutional terms, under less than banking standards, to underdeveloped areas.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. MONRONEY. I am happy to yield.

Mr. FULBRIGHT. Perhaps some people will be left wondering why this legislation now comes from the Committee on Foreign Relations, when the original measure was reported from the Committee on Banking and Currency. I may explain for the record that a number of years ago, under the Reorganization Act, jurisdiction over international financial organizations was clearly placed in the Foreign Relations Committee. However, the then chairman did not care to handle the subject. The Bretton Woods Agreement had been handled by the Banking and Currency Committee, so this subject was placed under the jurisdiction of that committee rather by default.

Later this year, on examination of the jurisdiction of the respective committees, it was discovered that jurisdiction really resided in the Foreign Relations Committee. So when the bill was introduced it was referred to the Committee on Foreign Relations. That is why the jurisdiction appeared to shift. Actually the jurisdiction is and was in the Foreign Relations Committee.

I think it is very fortunate, because the Senator from Oklahoma was a member of the Committee on Banking and Currency and not of the Committee on Foreign Relations. I think this accident of history was very fortunate, so far as the creation of the International Development Association was concerned.

Mr. MONRONEY. By one of the good fortunes of coincidence also, it is wonderful that the former chairman of the Committee on Banking and Currency, who so ably handled international finance as well as domestic financial problems, when he became chairman of the Committee on Foreign Relations took with him his wisdom and experience in this field. So we now have not only the legal jurisdiction of the Committee on Foreign Relations, but also the great experience of the junior Senator from Arkansas in this field.

A great many Members of the Senate are entitled to credit. Their number is far too large to try to mention them all without fear of leaving out a few. Those Senators have consistently given us great help, support, and encouragement. We have also received support and encouragement from members of the administration. After the ice was finally broken, and the case rather clearly developed, great leadership came from the

Secretary of the Treasury, Hon. Robert Anderson. Secretary Anderson took this plan with him to the International Monetary Fund Conference at New Delhi; and engaged in many conferences with government officials interested in financial matters of the Asian countries.

Then he took it upon himself to explain it in person to representatives of the major powers. No one has done more or deserves more credit for the fruition of this plan than the distinguished Secretary of the Treasury.

The Under Secretary of State, Hon. Douglas Dillon, who was then Assistant Secretary of State, as well as the present Secretary of State, Mr. Herter, then Under Secretary of State, also interested themselves in this plan.

Because of their great help and assistance, this subject was brought before the World Bank Directors last fall. We were successful in obtaining a recommendation that the directors perfect a charter. As is well known, as of last week, the charter was approved without a single opposition vote, but with two abstentions.

I think it is very fortunate that the leaders in the executive department, as well as the chairman of our committee and others, have joined together in a partnership to bring about the desired result. I feel that this is a great forward step, and I am very happy over the progress that has been made thus far. I only wish that more adequate financing could be provided for in the initial capitalization. However, there is written into the proposed charter provisions for increases by a number of techniques. I believe this institution will grow when nations find, after what I feel will be a test period, the advantages of multilateral extension of loans rather than bilateral extension of aid or loans.

I deeply appreciate the expedition with which the chairman of the Committee on Foreign Relations has brought this subject to the attention of the Senate.

I ask unanimous consent to insert in the RECORD a series of three articles on IDA written for the Houston Post by Jim Mathis, chief of that newspaper's Washington bureau.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Houston Post, Dec. 13, 1959]

**IDA—U.S. TAXPAYER, WORLD'S POOR WILL
BENEFIT**

(By Jim Mathis)

WASHINGTON.—In cramped rooms in the U.S. Treasury, and in the elaborate directors' offices of the World Bank a few blocks away on Pennsylvania Avenue, a fresh new buoy of hope for the world's underprivileged is being drawn into existence.

It is a slow, time-consuming business at best—this drawing of a formal charter for the latest edition of international cooperation.

Working together—not always in harmony but always seeking the possible—are lawyers, economists, financial experts, and secretaries from a dozen nations. They have labored for months.

By early January—time enough to go early before the Congress—the final form of the International Development Association will be perfected.

If Congress approves, and authorizes the appropriation and expenditure of the required \$320 million, other free nations will probably fall in line.

A new approach to foreign aid will have been launched. Industrialized nations, now recovered from World War II economic depths, will share with the United States the burden of developing backward nations.

There will be two eventual winners: the poor people of the world and the U.S. taxpayer.

This may hardly seem possible, but inquiry indicates it is true. For the taxpayer, it would be a rare treat.

With the possible exception of some objections from the United Nations, which has its own ideas along similar lines, the proposed new organization seems to have a clear path ahead.

ALPHABETICAL ACCEPTANCE A BOOST

The Senate approved the plan in a broad sense in 1958. President Eisenhower gave his blessings and full support a short time later.

The 68 members of the International Bank for Reconstruction and Development—the World Bank—gave it 100 percent endorsement in a meeting here in late September.

The penultimate in anticipatory acceptance in Washington is almost formal recognition of the name IDA in the alphabetical language which prevails.

Although wrapped now in purple and and handled like infant royalty, IDA has not always had it so good. There were years in which IDA's life was as precarious as that of a dauphin with a dozen jealous uncles.

IDA drew its first breath in faraway and very much underdeveloped Thailand in 1956. The occasion was a visit to Bangkok by Senator A. S. MIKE MONRONEY, Democrat, of Oklahoma, chairman of the Senate international finance subcommittee.

MONRONEY went to Thailand as an official delegate to the Interparliamentary Union meeting of 49 nations. This is considered something of a freeloading junket, and nothing happening on the meeting floor greatly impressed the tall, graying Oklahoma legislator.

It was off-floor talks with Thais which were to profoundly impress MONRONEY, and eventually give the United States a method of shoveling off part of the growing load of foreign assistance.

"Two projects were uppermost in discussions in these informal sessions," MONRONEY recalls today. "One, in which the Thais took great pride, was an irrigation dam built on the Ghao Phya River at a cost of \$53 million. It irrigated 2,247,700 acres for the production of rice, and increased their annual product by a half-million metric tons."

THAIS' PRIDE HIGHEST ON FINANCING

MONRONEY found that the Thais took pride in their self-achievement in the dam's origination, design and construction. But their greatest pride, he discovered, was in the way it was financed.

"They had borrowed, on their own credit, from the World Bank \$18 million required to supplement their own funds for its construction. This meant their credit and reputation were approved by the World Bank and their project had the solid economic justification to give confidence of full repayment in 10 years," the Senator explains.

The second project was a 140-kilometer section of highway built with Americans furnishing the funds, engineering, supervision and machinery. It was a vital link from Laos to Thailand in peace or war and cost \$21.1 million.

But its construction was a bitter political issue. Their pride was offended at the outright gift, and they were embarrassed.

"Throughout Asia, I found this same attitude toward most of our aid programs," MONRONEY said.

He returned to the United States convinced that some method of providing loans to nations without political strings and with their own participation must be found if our expenditures were to accomplish both friendship and development.

Some provision should be made for loans on projects not qualifying under the strict requirements of the existing World Bank, MONRONEY thought. And the multiplying millions of soft currency—money not easily spent around the world—could be put to use.

Throughout 1957, MONRONEY pursued his idea, without too much success. He continued discussions, however, and by February 24, 1958, had firmed up his thoughts enough to introduce a Senate resolution directing the executive departments to explore a development loan association affiliated with the World Bank.

He proposed loans for longer periods through the international institution, with lower interest rates than required by the World Bank, using a mixture of hard and soft currencies.

IDA, MONRONEY argued, could take care of second mortgages on projects not wholly feasible under the World Bank, which must sell its bonds to the public. A portion of a loan for a project could be made by the Bank, and the gap closed by IDA.

A multipurpose dam in India, for example, costing \$100 million, could qualify for \$70 million from the World Bank calling for early repayment in hard currency at high interest.

The remaining \$30 million for the dam could come from IDA to be repaid in Indian rupees over 40 years, at 2 percent.

MONRONEY suggested a \$2 billion capital investment for the new institution, with subscriptions to be made up partly of hard currency and partly of soft currency.

In this manner, he proposed for the United States to utilize part of the nearly \$5 billion in soft money it would have on hand in 1960 as a result of the sale of surplus farm commodities.

Beyond the immediate establishment of the bank, MONRONEY foresaw a need to switch the emphasis of our foreign aid program from revitalized industrial nations halfway around the world to underdeveloped nations.

"Almost one-third of the world's population lived in these underdeveloped countries," he argued. "The foundations for modern progress must be laid. Our approach had included too many foreign aid workers, too many programs, too much regulation, too much dictation. In short, too much 'papa fix.'"

Neither the State Department, nor others concerned with the foreign aid program and foreign policy, were too overjoyed at the changes MONRONEY insisted upon. They were surely radical.

Testimony taken before MONRONEY's subcommittee indicated lukewarm interest. But MONRONEY persisted, got his resolution out on the Senate floor and approved by a 65-to-25 vote.

With no more force than a suggestion despite the resolution, IDA appeared destined to die in its swaddling clothes.

It was not until Secretary of the Treasury Robert B. Anderson recognized the potentialities in the suggestion and argued its virtue before President Eisenhower that IDA looked as if it would survive.

Anderson saw in the resolution continued nonpartisanship in foreign policy, and an opportunity at multilateral financing of undeveloped countries that would be an opening wedge to bring the growing industrial nations into paying part of the load.

As chairman of the National Advisory Council on International Monetary and Financial Problems, and U.S. Governor for the World Bank and International Monetary Fund, only Anderson was in a position to change MONROEY's idea into reality.

The Secretary of the Treasury saw IDA also as one more link in a chain he needed to bolster the position of the U.S. finances in the world.

[From the Houston Post, Dec. 15, 1959]

IDA—TAXPAYERS IN UNITED STATES ARE NOW ASKING WHY?

(What has gone before: Regardless of the worthiness of foreign aid plans, American taxpayers for years have groaned about the millions of dollars sent abroad. Now the countries who are economically strong because of that aid are able to help the United States carry the load. Some have indicated a desire and willingness to help under a plan conceived by Senator A. S. MIKE MONROEY, of Oklahoma and refined by Secretary of the Treasury Robert B. Anderson. Congressional approval early next year can make the plan reality.)

(By Jim Mathis)

WASHINGTON.—There are a billion people in the world today struggling for a better way of life in 22 new nations.

The way the United States answers their needs will determine how long we can perch on top of the pile. This is an accepted foreign policy axiom in Washington.

The requirements for capital for developing these small growing nations is insatiable. Paul Hoffman, Director of the International Co-Operation Administration, has estimated the needs will run to \$40 billion.

While the needs and the demand stand apparent, it has also become clear in recent years that Americans are not going to bear the entire cost alone.

"Taxpayers in the United States are asking more and more why we can't dam some of our own rivers," one high and responsible official said this week.

In an effort to resolve the conflict, a non-partisan effort to squeeze contributions from the revitalized industrial nations—particularly West Germany and Japan—has taken shape over the last 2 years.

One form of this effort—the International Development Association—is being solidified in negotiations here now.

The International Development Association, known better as IDA, would operate with an initial capital of \$1 billion as an auxiliary of present world banks to make loans with low interest rates and long payment terms. The repayments could be made in the currency of the borrower.

Capital from the bank would be drawn from among the 68 members of the International Bank for Reconstruction and Development.

INDUSTRIALIZED NATIONS WANTED

The emphasis is upon getting the industrialized nations, numbering about 17, into the association, along with the 25 or so underdeveloped countries.

The industrial nations would chip about 75 percent of the capitalization funds.

President Eisenhower will probably consider the final version of IDA's charter for presentation to Congress in late January.

Predictions from concerned Senators and Congressmen are that IDA will have smooth sailing from a legislation standpoint. There may be more kicking over the first of five installments—probably around \$160 million—when it hits the proper House appropriations committee.

There are two points working in its favor, however.

For many years, Senators and Congressmen have been calling, for the benefit of the people back home, for some new ideas in the way of foreign assistance. They have urged

that some provisions for sharing the burden be designed.

This is it.

Not only is IDA a method leading toward eventually lightening the U.S. load, but it originated with the Senate. This is a formidable recommendation. Senator A. S. MIKE MONROEY, who brought the idea back from Bangkok, Thailand, in 1956, pushed the resolution urging IDA through the Senate.

The administration, urged on by Secretary of the Treasury Robert B. Anderson, will be solidly behind IDA.

Senate Majority Leader LYNDON B. JOHNSON will probably support the proposal.

In a special statement on IDA, he explained his position in these words:

"Obviously these new nations don't have the capital to meet their own needs. If we wait until they can qualify as bankers' risks, we may find those nations turning to Soviet leadership rather than following our leadership. The West cannot survive as an island of freedom in a sea of Communist influence."

JOHNSON SAYS CHANGES NEEDED

"To meet this new responsibility, we are going to need some new concepts, new approaches, and new institutions. Since the end of World War II, our concept of assistance to others has been short-term, emergency-type aid. For the future, the needs will be longer term—needs for investment capital in the basic structure of a free society.

"I believe that this is a responsibility which all free nations share together and that each share according to their own rising capabilities. To do this, a new concept is necessary.

"Whether the IDA approach itself is the precise answer I don't know. But something akin to it in purpose, if not in form, should be studied and developed.

"When men go through the struggle of winning freedom, other freemen have a responsibility to them to make freedom meaningful. There must be a parity of living standards among freemen—and that should be the first objective of our own policies."

JOHNSON has frequently said that one of the two or three critical sectors of free world policy during the 1960's will be our response to the needs of the world's young nations.

Creation of the International Development Association will not mean an immediate cutback in U.S. contributions.

There are already more than half a dozen organizations to which we contribute in part or wholly.

The latest is the Development Loan Fund, a purely national effort spending in the neighborhood of \$700 million a year.

The DLF makes loans similar to those which are contemplated by IDA but these are for purely selfish reasons—there is usually a political string attached.

"We probably always will need some such political fund," the officials quoted earlier said.

LOAN TO ARGENTINA WAS FAST

He pointed to the swift \$80 million loan made to Argentina when Dictator Juan Peron was kicked out, only to leave the government in a big hole for foreign exchange.

"Had we not been able to make the loan, we would have been in no position to keep Peron out," he explained.

The eventual benefit of IDA to the U.S. taxpayer won't be so easily calculated, but it will be real, with the other industrial nations bearing a proportionate share of the cost for new projects, even to attaching their own "buy German" or "buy Japan" tags to their own financing. The overall cost to the United States will lessen.

There are vast sectors of the world awaiting some good loan terms for development. Two of the 60 to 80 which have hung fire in

the World Bank because other developments get first priority on guaranteeing loans were pinpointed by the World Bank.

Negotiations on development of the Indus River Valley have gone on for more than a decade. The 1,700 mile river, called the wettest in the world, flows down the mountains of Tibet between and into India and Pakistan. The valley is the cradle of Indian civilization, and is at least 5,000 years old.

World Bank engineers have determined that a 10-year program involving numerous dams will cost \$1 billion, half of which must come from outside the two countries. The World Bank cannot make multicountry loans.

IDA could.

Neither India nor Pakistan can finance the extra half billion. Both are straining to modernize transportation and other areas first.

Meanwhile, the 40 million people in the valley who would benefit are watching more water run unchecked down the Indus River to the sea than is used for irrigation each year in the United States.

A similar river project exists in the backward nations of Laos, Cambodia, Vietnam, and Thailand. This is the Mekong River—2,600 miles long, 10th longest in the world. It rises on the border of China and wanders through all four of these new nations before reaching the sea.

Three years ago a United Nations team surveyed the Mekong Valley and found considerable potential for irrigation and power projects. But no institution can make the four-country loan which is necessary to get started.

IDA could.

Of all the foreign assistance programs which grind their way through Congress under protest each year, this holds the most promise—for the weary U.S. taxpayer and for the underdeveloped countries of the world.

[From the Houston Post, Dec. 14, 1959]

IDA—LOAD-SHARING PLAN GAINED AT NEW DELHI

(What has gone before: While in Thailand in 1956, Senator A. S. MIKE MONROEY, of Oklahoma, conceived a plan of tremendous economic significance to the world, a plan whereby the nations who have regained their economic strength with U.S. aid could join the United States in helping still underdeveloped lands. He found a strong supporter in Secretary of the Treasury Robert B. Anderson. So was born IDA—International Development Association.)

(By Jim Mathis)

WASHINGTON.—The proposed International Development Association, born of discussions in the Far East, got its first pair of long trousers at New Delhi, India.

This was the scene, in October 1958, of the annual meeting of the governors of the existing international financial institutions, the World Bank, and the International Monetary Fund.

Secretary of the Treasury Robert B. Anderson, the U.S. Governor, had wisely chosen his first audience for IDA.

The thinking of the influential and experienced financial representatives of the 68 member nations, and their reports to their governments, would determine the future of the proffered soft loan branch.

While IDA was the one new feature proposed by the United States at New Delhi, it was only one point of a triangular program which represented the initial movement of the United States toward more universal sharing of the burden of assisting less fortunate nations of the world.

In an exchange of letters in August of 1958, Anderson and President Eisenhower had formalized the emerging new look of foreign assistance.

Anderson had become convinced soon after taking over as Secretary of the Treasury of basic facts in our international financial relations:

1. The preservation of the value of the dollar, now the standard of value, and the world's reserve currency, is of vital importance to the free world.

2. The U.S. financial transactions were leading it to an imbalance of international payments—the wrong way.

3. Continued capital must be made available to the under-developed nations as an important cornerstone of efforts to preserve their freedom and our own well-being.

4. The economically resurgent nations of Western Europe and Japan should shoulder part of the cost of development of backward nations.

TIME FOR CHANGE, ANDERSON FELT

In short, Anderson felt that the times called for a reorientation of the policies of the earlier postwar period.

The continued export of U.S. capital, in dollars, abroad through foreign aid, military spending, tourism and investments in recent years had brought about two changes.

The once troublesome dollar gap had been closed. The revitalized industrial nations were competing for markets and the dollars were now congregating in Western Europe. Foreign banks backed by their governments hold \$9.5 billion, in dollars, and companies and individuals hold another \$6.5 billion.

The continued movement outward had led to an imbalance in international payments working against the United States. Last year, the United States ran \$3.4 billion in the red. This is expected to climb even higher.

The \$16 billion held abroad constituted a claim in cash or short-term notes on the United States. The \$35-odd billion owed the United States is long term.

Anderson's efforts were to slow down the outward flow of dollars and gold while at the same time maintaining capital for the underdeveloped nations. And to shore up the value of the dollar.

At home, Anderson's influence was exerted toward a balanced budget and a freer hand in the management of the vast public debt.

For the international arena, the Secretary summed up his suggestions in the August 18, 1958 letter to the President.

It would seem highly desirable, he wrote, that the nations of the free world as a whole should move forward cooperatively to deal more effectively with the problem.

He suggested a doubling of the capital of the World Bank, the good loan-lending agency, and the International Monetary Fund, the stabilizer for foreign government finances.

In addition, he put forward the idea of the new International Development Association to fill in current blank spots in the World Bank's lending authority, as a separate but affiliated lending agency.

FOREIGN AID PROGRAMS OUTLINED

President Eisenhower, in his reply of August 2, outlined the advances the United States had made in its own foreign aid programs—increased in lending authority of the Export-Import Bank, incorporation of the Development Loan Fund, and other actions.

The President made three points necessary for a dynamic and financially sound economic environment for free nations:

1. A continuing growth in productive investment, international as well as domestic.

2. Financial policies that will command the confidence of the public and assure the strength of currencies.

3. Mutually beneficial international trade and a constant effort to avoid hampering restrictions on the freedom of exchange transactions.

He urged an increase in the quotas of foreign governments in the World Bank and the Monetary Fund.

The President directed Anderson to move toward establishment of the IDA.

"I believe that such an affiliate of the international bank, if adequately supported by a number of countries able to contribute, could provide a useful supplement to the existing lending activities of the bank and thereby accelerate the pace of economic development in the less developed member countries of the bank," the President wrote.

In this manner, the United States moved toward Anderson's goal—cooperative aid to the underdeveloped countries.

Anderson laid out only the bare outlines of IDA before the New Delhi group. There were some temporarily deaf ears present. Much more negotiating, jockeying and outlining was to come.

In August of this year the National Advisory Council on international monetary and financial problems made its formal report on IDA as instructed by Senate resolution. Anderson is chairman of the council.

MONRONEY PROPOSAL CUT IN HALF

The outline suggested a \$1 billion capitalization, exactly half that proposed by Senator A. S. MIKE MONRONEY, Democrat, of Oklahoma, who originated the resolution. The U.S. contribution was to be \$320 million over a 5-year period.

Other quotas were to be on the same percentages assigned for World Bank members.

There were limitations placed upon the use of soft currency held by the United States, a major factor in MONRONEY's plan. Part of these funds already have limitations, and their free use in underdeveloped countries could cause inflation easily.

The report indicated that a number of marginal nations—between the industrial and underdeveloped category—were still considering the balance of benefits and responsibilities involved.

IDA would be part and parcel of the World Bank, managed by the bank's experienced staff, and its operations closely coordinated with other foreign loan and grant efforts.

The bank's conservative-minded directorate could be expected to prevent abuse of the soft loan facilities at the expense of the tougher loan setup managed out of the main bank window.

A month and a half after making public its outline, Anderson again took IDA before the bank's governors. In the meantime, ambassadors had been called in for talks, governors had been buttonholed, and the path generally smoothed.

Great Britain had gone so far as to endorse IDA on the floor of Parliament.

President Eisenhower made a personal appearance, and in a brief welcoming address, stressed the importance of all nations assuming their share of the development costs.

Many development projects exist, the President said, which, though economically sound, cannot be financed by existing international institutions.

"In our view, no other mechanism can perform this task for the free world as well as the International Development Association," the President said.

LENDING AGENCY NEED IS CITED

Anderson, speaking after the President, said that everyone realized that in less developed countries there were sound projects which could not be handled under the criteria set up by existing institutions.

"It would be unfortunate if we did not help in these situations, where often only a relatively small margin of capital is needed," the Secretary said.

Attached to the world bank, he added, there would be no conflict, and membership would be made up of free nations "subscribing to the sound monetary policies" of the international fund.

This was a lever aimed at nations reluctant to participate because of their hopes for the Special United Nations Fund for Economic Development, or SUNFED.

SUNFED proposed both long term, low-interest rates, and outright grants. Despite its happy combination of letters—it started out UNFED—the organization was bogged down in the U.N. It would include all nations.

The determination of the United States to move along its proposed policies of sharing the burden among free nations paid off. IDA was accepted without a single dissenting voice.

Mr. COOPER subsequently said: Mr. President, a few minutes ago, I heard the colloquy between the distinguished Senator from Arkansas [Mr. FULBRIGHT], the chairman of the Committee on Foreign Relations, and the distinguished Senator from Oklahoma [Mr. MONRONEY], on the subject of the International Development Association Fund. Great problems have been raised in this country about our foreign aid program, and they are being raised continually.

Looking ahead, I believe opportunities are offered for the consideration of multilateral efforts, whether they be through the World Bank, in the form of an association such as that sponsored by the Senator from Oklahoma, or through the Special Fund of the United Nations.

It is correct, as Mr. Hoffman says, that such multilateral efforts bring larger and more varied contributions from many countries. They remove short-term political considerations which inevitably enter into bilateral aid. I think they inspire a greater effort both upon the part of the developed countries and the developing countries toward economic and social growth.

I commend Mr. Hoffman's study to the Members of the Senate.

EXPORTS TO UNDERDEVELOPED COUNTRIES

Mr. MONRONEY. Mr. President, Mr. Paul Hoffman, brilliant administrator of our Marshall plan which was so successful in Europe, and now managing director of the United Nations Special Fund, held a press conference in Washington yesterday on a new pamphlet he has written titled "One Hundred Countries—1 1/4 Billion People: How To Speed Their Economic Growth and Ours—in the 1960's."

A multinational approach and a sharing of responsibility through both bankable loans and long-term loans at low interest rates which are genuinely repayable and not charity, marked the press release he issued regarding the pamphlet, and I ask unanimous consent to have the release inserted in the RECORD at this point.

There being no objection, the release was ordered to be printed in the RECORD, as follows:

PAUL G. HOFFMAN PRESS CONFERENCE, REGARDING NEW PAMPHLET, "ONE HUNDRED COUNTRIES—1 1/4 BILLION PEOPLE: HOW TO SPEED THEIR ECONOMIC GROWTH AND OURS—IN THE 1960's"

WASHINGTON, D.C.—A potential market for the United States of \$14 billion of our exports to 100 underdeveloped countries in 1970—representing an increase of more than

86TH CONGRESS
2D SESSION

H. R. 11001

IN THE HOUSE OF REPRESENTATIVES

MARCH 9, 1960

MR. SPENCE introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To provide for the participation of the United States in the International Development Association.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SHORT TITLE

4 SECTION 1. This Act may be cited as the "Interna-
5 tional Development Association Act".

6 ACCEPTANCE OF MEMBERSHIP

7 SEC. 2. The President is hereby authorized to accept
8 membership for the United States in the International De-
9 velopment Association (hereinafter referred to as the "Asso-
10 ciation"), provided for by the Articles of Agreement (here-
11 inafter referred to as the "Articles") of the Association de-

1 posited in the archives of the International Bank for Recon-
2 struction and Development.

3 GOVERNOR, EXECUTIVE DIRECTOR, AND ALTERNATES

4 SEC. 3. The Governor and Executive director of the In-
5 ternational Bank for Reconstruction and Development, and
6 the alternate for each of them, appointed under section 3 of
7 the Bretton Woods Agreements Act, as amended (22 U.S.C.
8 286a) , shall serve as Governor, Executive Director and alter-
9 nates, respectively, of the Association.

10 NATIONAL ADVISORY COUNCIL ON INTERNATIONAL
11 MONETARY AND FINANCIAL PROBLEMS

12 SEC. 4. The provisions of section 4 of the Bretton
13 Woods Agreements Act, as amended (22 U.S.C. 286b) ,
14 shall apply with respect to the Association to the same ex-
15 tent as with respect to the International Bank for Recon-
16 struction and Development and the International Monetary
17 Fund. Reports with respect to the Association under para-
18 graphs (5) and (6) of subsection (b) of section 4 of said
19 Act, as amended, shall be included in the first report made
20 thereunder after the establishment of the Association and
21 in each succeeding report.

22 CERTAIN ACTS NOT TO BE TAKEN WITHOUT

23 AUTHORIZATION

24 SEC. 5. Unless Congress by law authorizes such action,
25 neither the President nor any person or agency shall, on be-

1 half of the United States, (a) subscribe to additional funds
2 under article III, section 1, of the articles; (b) accept any
3 amendment under article IX of the articles; or (c) make a
4 loan or provide other financing to the Association, except
5 that loans or other financing may be provided to the Asso-
6 ciation by a United States agency created pursuant to an Act
7 of Congress which is authorized by law to make loans or
8 provide other financing to international organizations.

9 DEPOSITORIES

10 SEC. 6. Any Federal Reserve bank which is requested
11 to do so by the Association shall act as its depository or as
12 its fiscal agent, and the Board of Governors of the Federal
13 Reserve System shall supervise and direct the carrying out
14 of these functions by the Federal Reserve banks.

15 PAYMENT OF SUBSCRIPTIONS

16 SEC. 7. (a) There is hereby authorized to be appro-
17 priated, without fiscal year limitation, for the subscription of
18 the United States to the Association, \$320,290,000.

19 (b) For the purpose of keeping to a minimum the cost
20 to the United States of participation in the Association, the
21 Secretary of the Treasury, after paying the requisite part of
22 the subscription of the United States in the Association re-
23 quired to be made under the articles, is authorized and di-
24 rected to issue special notes of the United States from time to

1 time, at par, and to deliver such notes to the Association in
2 exchange for dollars to the extent permitted by the articles.
3 The special notes provided for in this subsection shall be
4 issued under the authority and subject to the provisions of the
5 Second Liberty Bond Act, as amended, and the purposes
6 for which securities may be issued under that Act are ex-
7 tended to include the purposes for which special notes are
8 authorized and directed to be issued under this subsection,
9 but such notes shall bear no interest, shall be nonnegotiable,
10 and shall be payable on demand of the Association. The face
11 amount of special notes issued to the Association under the
12 authority of this subsection and outstanding at any one time
13 shall not exceed, in the aggregate, the amount of the sub-
14 scription of the United States actually paid to the Association
15 under the articles.

16 (c) Any payment made to the United States by the
17 Association as a distribution of net income shall be covered
18 into the Treasury as a miscellaneous receipt.

19 JURISDICTION AND VENUE OF ACTIONS

20 SEC. 8. For the purpose of any action which may be
21 brought within the United States, its possessions, or the
22 Commonwealth of Puerto Rico, by or against the Association
23 in accordance with the articles, the Association shall be
24 deemed to be an inhabitant of the Federal judicial district
25 in which its principal office in the United States is located,

1 and any such action at law or in equity to which the Asso-
2 ciation shall be a party shall be deemed to arise under the
3 laws of the United States, and the district courts of the
4 United States shall have original jurisdiction of any such
5 action. When the Association is a defendant in any such
6 action, it may, at any time before the trial thereof, remove
7 such action from a State court into the district court of the
8 United States for the proper district by following the pro-
9 cedure for removal of causes otherwise provided by law.

10 STATUS, IMMUNITIES, AND PRIVILEGES

11 SEC. 9. The provisions of article VII, section 5 (d) , and
12 article VIII, sections 2 to 9, both inclusive, of the articles
13 shall have full force and effect in the United States, its pos-
14 sessions, and the Commonwealth of Puerto Rico, upon
15 acceptance of membership by the United States in, and the
16 establishment of, the Association.

A BILL

To provide for the participation of the United States in the International Development Association.

By Mr. SPENCE

MARCH 9, 1960

Referred to the Committee on Banking and Currency

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued April 14, 1960
For actions of April 13, 1960
86th-2d, No. 68

CONTENTS

Appropriations.....	1
Automation.....	14
Chemicals.....	17
Electrification.....	15
Farm loans.....	2
Farm program.....	10, 20
Foreign aid.....	6
Foreign trade.....	11
Forestry.....	3, 18
Grapes and plums.....	8
Information.....	16
Interest rates.....	13
nds.....	3, 5
Minerals.....	5
Personnel.....	22
Public debt.....	12
Research.....	13
Ryukyu Islands.....	7
Soil bank.....	20
Surplus feed.....	19
Transportation rates.....	9
Water compact.....	4
Wheat.....	21
Wildlife.....	19

HIGHLIGHTS: House committee voted to introduce new bill to revise Farmers Home Administration laws. House passed State-Justice appropriation bill.

HOUSE

1. STATE-JUSTICE APPROPRIATION BILL, 1961. By a vote of 312 to 31, passed with an amendment this bill, H. R. 11666. pp. 7405-6
2. FARM LOANS. The Agriculture Committee voted to have the chairman introduce a clean bill in lieu of H. R. 7628, to simplify, consolidate, and improve the authority of the Secretary of Agriculture with respect to Farmers Home Administration loans to farmers and ranchers. p. D306
3. LANDS; FORESTRY. The Agriculture Committee voted to report (but did not actually report) with amendment H. R. 9818, to provide for the conveyance of a tract of forest land to the State of Florida. p. D306
4. WATER COMPACT. The Interior and Insular Affairs Committee voted to report (but did not actually report) with amendment H. R. 10513, to grant the consent of Congress to Kan. and Nebr. to negotiate and enter into a compact relating to the apportionment of the waters of the Big Blue River and its tributaries. p. D307
5. MINERALS; LANDS. The Interior and Insular Affairs Committee voted to report (but did not actually report) H. R. 8740, to provide for the leasing of oil and gas interests in certain U. S. lands in Texas. p. D307
6. FOREIGN AID. A subcommittee of the Banking and Currency Committee voted to report to the full committee H. R. 11001, to provide for the participation of the U. S. in the International Development Association. p. D 307

U. S. in the International Development Association. p. D307

Received from ICA a letter in reply to a GAO report on the economic and technical assistance program for Guatemala. p. 7430

7. RYUKYU ISLANDS. The Armed Services Committee voted to report (but did not actually report) with amendment H. R. 1157, to provide for the promotion of economic and social development in the Ryukyu Islands. p. D306

SENATE

8. GRAPES AND PLUMS. The Interstate and Foreign Commerce Committee voted to report (but did not actually report) with amendment S. 1857, to establish minimum quality requirements for the shipment of grapes and plums in foreign commerce. p. D305
9. TRANSPORTATION RATES. The Interstate and Foreign Commerce Committee voted to report (but did not actually report) with amendment S. 2452, to establish a joint board and to permit the filing of through routes and joint rates for carriers serving Alaska, Hawaii, and other States. p. D305

ITEMS IN APPENDIX

10. FARM PROGRAM. Rep. Langen inserted the results of a questionnaire sent to the residents in one district in Minnesota in which 63% "of those replying indicated their favor with some type of controls and supports." pp. 3250-1
Rep. Wolf inserted a resolution adopted by the voting delegates to the Democratic Midwest Conference in which the delegates "express their approval of the principles, including its fair price and income objectives, of the comprehensive all-commodity bill, entitled the 'Family Farm Income Act of 1960.'" p. A3270
11. FOREIGN TRADE. Rep. Holifield inserted a speech by Eric Johnston calling attention to the "three trends which can greatly damage our American economy" all of which deal with our recent problems in international trade. pp. A3235-7
Rep. Lane inserted an article calling the trend of increasing imports "no idle threat," and pointing out the different ways further increases may hurt our domestic economy. pp. A3269-70
12. PUBLIC DEBT. Rep. Dague inserted two articles dealing with public debt. One which points out that the public debt, including accrued liabilities or future obligations, equals nearly \$750 billion, and the other which cautions against the concept of the Federal government as a "rich uncle." pp. A3244-5
13. INTEREST RATES. Rep. Lindsay inserted an article which urges elimination of the 4½% interest rate restriction on long-term Government securities. pp. A3270-1
14. AUTOMATION. Rep. Lesinski inserted the testimony of Mr. James Campbell, president of the American Federation of Government Employees, before a subcommittee of the Post Office and Civil Service Committee, which points up the problems created and the progress made by Federal agencies in office automation. pp. A3255-7
15. ELECTRIFICATION. Extension of remarks of Rep. Coad and insertion of an article regarding the controversy surrounding the construction by the Bureau of Reclamation of power transmission lines in Iowa. p. A3257

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued May 10, 1960
For actions of May 9, 1960
86th-2d, No. 84

Agricultural appropriations.....	5
Appropriations.....	5,12
Atomic energy.....	17
Electrification.....	4,6
Employment.....	10
Farm labor.....	8
Farm program.....	7,13
Foreign affairs.....	1
Forestry.....	15
Library services.....	18
Personnel.....	9
Public Law 480.....	1
Sugar.....	11
Surplus commodities.....	1
Textile imports.....	2
Transportation.....	16
Veterans' loans.....	3
Water resources.....	4,14

HIGHLIGHTS: Senator Smathers introduced and discussed sugar bill.

SENATE

1. FOREIGN AFFAIRS; SURPLUS COMMODITIES. The Foreign Relations Committee voted to report (but did not actually report) without amendment S. 3074, to provide for U. S. participation in the International Development Association. p. D391
Sen. Dirksen commended the signing of the agreement between the U. S. and India "under the Public Law 480 program, which will provide India with almost 600 million bushels of wheat and 22 million bags of rice during the next 4 years," and praised the work of the Foreign Agricultural Service of this Department for "the efficient work that this group does in developing and carrying out the Public Law 480 program." p. 9089
2. TEXTILE IMPORTS. Received a S. C. General Assembly resolution expressing concern "over the unfair competitive situation in which the textile industry of the State finds itself" because of the "flood of cheap foreign goods being placed on the markets of the United States," and urging Congress to take immediate steps to enact remedial legislation. p. 9070
3. VETERANS' LOANS. Received from the Administrator, Veterans' Administration, a proposed bill "to improve the effectiveness of the Veterans' Administration loan guaranty program"; to Banking and Currency Committee. p. 9070

HOUSE

4. WATER CONSERVATION; ELECTRIFICATION. Rep. McGovern urged additional appropriations to make "a study of the Missouri River ... to determine whether a slack water system of navigation would be economically feasible" in an attempt to boost generating capacity of Federal projects located on that river. pp. 9094-5

Rep. Udall urged Congressional approval of a project to deliver Colo. river waters to central Ariz. p. 9095

Received a memorial from the Miss. Legislature requesting the Federal Government to "safeguard and preserve established State and individual rights to the use of water within the separate states." p. 9097

5. AGRICULTURAL APPROPRIATION BILL, 1961. The "Daily Digest" states that the House will consider this bill, H. R. 12117, on Tues., May 10. p. D392

ITEMS IN APPENDIX

6. ELECTRIFICATION. Extension of remarks of Rep. Weaver commending and inserting an address by Interior Secretary Seaton as "one of the most important policy statements made by the Eisenhower administration concerning the development of hydroelectric power in the United States." pp. A3947-8

Rep. Ullman inserted an article providing a detailed statement from the proponents of a high dam at Nez Perce project on the Snake River. pp. A3963-4

7. FARM PROGRAM. Extension of remarks of Rep. McGovern urging Congress to be "a little more reasonable about farm legislation" in view of the President's statement at a recent press conference as to his attitude on farm legislation. p. A3953

8. FARM LABOR. Extension of remarks of Rep. Metcalf inserting an address by Sen. Williams, N. J., on migratory labor as "informative, factual, and persuasive in consideration of legislation to provide for a greater measure of human dignity to these unfortunate victims of our unbalanced agricultural economy." pp. A3954-7

9. PERSONNEL. Extension of remarks of Rep. Porter inserting the testimony of Mrs. Maurine Neuberger in support of pay increases for postal and Federal employees. pp. A3962-3

BILLS INTRODUCED

10. EMPLOYMENT. S. 3505, by Sen. McCarthy (for himself and others), to revise, extend, and improve the unemployment insurance program; to Finance Committee. Remarks of Sen. McCarthy. pp. 9070-2
11. SUGAR. S. 3508, by Sen. Smathers, to amend and extend the provisions of the Sugar Act of 1948, as amended; to Finance Committee. Remarks of author. pp. 9091-3

PRINTED HEARINGS RECEIVED BY THIS OFFICE

12. APPROPRIATIONS. Public works appropriations for 1961; Part 1: civil functions, Dept. of the Army, Part 2: Bonneville Power Admin., Bureau of Reclamation, etc. H. Appropriations Committee.
Agricultural appropriations for 1961, Part 5: Indemnity payments to growers of cranberries and caponettes. H. Appropriations Committee.
13. FARM PROGRAM. H. R. 10355, etc., general farm legislation, Part 1. H. Agriculture Committee.
14. WATER RESOURCES. Senate Select Committee on National Water Resources, Part 20. (Field hearing.)

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued May 16, 1960
For actions of May 13, 1960
86th-2d, No. 88

Adjournment.....	9
Area redevelopment.....	1
Cotton.....	10
Depressed areas.....	1
Farm program.....	6
Foreign affairs.....	4
Forest products.....	12
Grain surplus.....	7
Meteorology.....	5
Military housing.....	2
Personnel.....	8
Property.....	11
Research.....	5

Rural libraries.....	3
Surplus commodities.....	2,7
Surplus grain.....	7
Wheat.....	13
Wildlife.....	7

House subcommittee voted to report bill to extend minimum national extra long staple cotton quota. Senate received President's veto message on depressed areas bill. Sen. Dirksen inserted Secretary's Chicago speech.

SENATE

1. DEPRESSED AREAS. Received the President's veto message of S. 722, the depressed areas bill (pp. 9569-70). With respect to Federal loans for the construction of industrial buildings in rural areas, the message includes the following statement: "S.722 would make a minimum of 600 rural counties eligible for Federal loans for the construction of industrial buildings in such areas. The rural development program and the Small Business Administration are already contributing greatly to the economic improvement of low income rural areas. Increasing the impact of these two activities, particularly the rural development program, is a preferable course."

Sen. Douglas criticized the veto of the bill as "another example of callous indifference on the part of the present administration toward depressed communities and unemployed men and women." pp. 9570-3

2. SURPLUS COMMODITIES; MILITARY HOUSING. Passed with amendments H. R. 10777, the military construction bill (pp. 9529-57, 9561-4). Conferees were appointed. The report of the Armed Services Committee, on this bill, includes the following statements:

"Section 511...will require the use of foreign currencies acquired by the Commodity Credit Corporation pursuant to the provisions of the Agriculture Trade Development and Assistance Act of 1954 for the construction or acquisition of any family housing project or community facility in any foreign country unless specifically excepted..."

"The committee has been informed that beginning this year, direct appro-

priations (classed as 'currency restricted' appropriation) will be utilized to reimburse the Commodity Credit Corporation for foreign currencies at the time they are used. Further use will not be made of reimbursement from quarters allowances withheld from occupants of the housing, as authorized by section 407 of Public Law 83-765, as amended. For this reason, authorization for appropriations for surplus commodity housing projects is requested in the bill in the same manner as for other appropriated fund projects."

3. RURAL LIBRARIES. The Labor and Public Welfare Committee voted to report (but did not actually report) with amendment S. 2830, to amend the Library Services Act so as to extend for 5 years the authorization for appropriations. p. D413
4. FOREIGN AFFAIRS. The Foreign Relations Committee reported without amendment S. 3074, to provide for participation of the United States in the International Development Association (S. Rept. 1349). p. 9498
5. RESEARCH. The Interstate and Foreign Commerce Committee reported without amendment S. 1235, to authorize the Secretary of Commerce to enter into contracts for the conduct of research in the field of meteorology (S. Rept. 1348). p. 9498
6. FARM PROGRAM. Sen. Dirksen inserted Secretary Benson's speech in Chicago before the National Restaurant Association discussing various aspects of the farm program. pp. 9519-21
Sen. Dirksen inserted the recommendations of the Democratic Advisory Council with respect to agricultural policy, and the statement of the Secretary commenting on these recommendations. pp. 9521-2
7. SURPLUS GRAIN. Received from the Secretary of the Interior a proposed bill to "authorize the use of surplus grain by the States for emergency use in the feeding of resident game birds and other wildlife"; to Interstate and Foreign Commerce Committee. p. 9498
8. PERSONNEL. Received from the Attorney General a proposed bill to "amend section 507 of the Classification Act of 1949, as amended, with respect to the preservation of basic compensation in downgrading actions"; to Post Office and Civil Service Committee. p. 9498
Sen. Morse inserted his statement before the Senate Post Office and Civil Service Committee urging a pay increase for Federal employees. p. 9504
9. ADJOURNED until Mon., May 16. p. 9574

HOUSE

10. COTTON. The Cotton Subcommittee of the Agriculture Committee ordered reported to the full committee H. R. 11049, to treat all basic agricultural commodities alike with respect to the cost of remeasuring acreage; H. R. 11646, provide a penalty for violation of the cotton classing law; and H. R. 12115, to extend the minimum national marketing quota for extra-long staple cotton to the 1961 crop. p. D413
11. PROPERTY. The Public Works subcommittee ordered reported to the full committee H. R. 11522, to permit certain U. S. property to be conveyed to States, municipalities, and other political subdivisions for highway purposes. p. D414

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

MAY 13, 1960.—Ordered to be printed

Mr. GREEN, from the Committee on Foreign Relations, submitted the following

R E P O R T

[To accompany S. 3074]

The Committee on Foreign Relations, to whom was referred the bill (S. 3074) providing for U.S. participation in the International Development Association, having considered the same, report the bill favorably without amendment and recommend that it do pass.

1. PURPOSE OF THE BILL

S. 3074 authorizes the President to accept membership for the United States in the International Development Association. The articles of agreement providing for this Association were approved by the Executive Directors of the International Bank for Reconstruction and Development on January 26, 1960, for submission to member governments of the Bank. The bill also authorizes appropriations by Congress totaling \$320,290,000 without fiscal year limitation for the subscription of the United States to the Association.

2. BACKGROUND

On February 24, 1958, Senator A. S. Mike Monroney, of Oklahoma, introduced a resolution (S. Res. 264, 85th Cong., 2d sess.) calling for a study respecting the—

establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

The major premise behind the resolution was that there existed a great and increasing need among the free world's underdeveloped countries for capital loans on a flexible, long-term basis, and that the need could not be satisfied through private investment or through international institutions which required relatively high interest rates and stringent

repayment terms. On July 23, 1958, the Senate by a vote of 62 to 25 adopted the Monroney resolution, as follows:

Resolved, That, recognizing the desirability of promoting a greater degree of international development by means of multilateral loans based on sound economic principles, it is the sense of the Senate that prompt study should be given by the National Advisory Council on International Monetary and Financial Problems with respect to the establishment of an International Development Association, as an affiliate of the International Bank for Reconstruction and Development.

In order to achieve greater international trade, development, and economic well-being, such study should include consideration of the following objectives:

(1) Providing a source of long-term loans available at a reasonable rate of interest and repayable in local currencies, or partly in local currencies, to supplement International Bank lending activities and thereby permit the prompt completion of worthwhile development projects which could not otherwise go forward.

(2) Facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

(3) Insuring that funds for international economic development can be made available by a process which would encourage multilateral contributions for this purpose.

As requested in the resolution, the National Advisory Council on International Monetary and Financial Problems¹ carried out a study, and a favorable report on the proposed Association was submitted to the Committee on Foreign Relations on August 14, 1959. Meanwhile, commencing in October 1958, extensive informal discussions authorized by President Eisenhower had been undertaken by Secretary of the Treasury Anderson and Under Secretary of State Dillon (U.S. Governor and Alternate U.S. Governor, respectively of the International Bank) with representatives of other interested countries and with Mr. Eugene Black, President of the Bank. The Board of Governors of the Bank therefore came to its annual meeting in 1959 prepared to consider a resolution, introduced by the United States, which requested the Executive Directors—

to formulate articles of agreement of such an Association for submission to the member Governments of the Bank.

The resolution was adopted unanimously on October 1, and the articles were submitted in the following January.

¹ The National Advisory Council was created by the Bretton Woods Agreements Act to coordinate U.S. policies and operations regarding the International Monetary Fund and the International Bank with those of all Government agencies involved in foreign economic transactions. The members are the Secretary of the Treasury (Chairman), the Secretaries of State and Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the President of the Export-Import Bank.

3. COMMITTEE ACTION

On February 18, 1960, the Congress received a message from the President of the United States in which he submitted the articles of agreement for the establishment of the International Development Association. The President urged the Congress to enact legislation authorizing him to accept U.S. membership in the Association, and to assume the financial obligations described in the articles. Acceptance of membership in the Association by the United States was strongly recommended by the National Advisory Council in a special report which accompanied the President's message; the message and the report, along with the articles of agreement, are contained in House Document 345. By request, Senator Fulbright on February 19, 1960, introduced S. 3074 to give effect to the administration's recommendations. The President's message and the bill were both referred to the Committee on Foreign Relations.

The committee began hearings on March 18, at which time Senator Monroney appeared first in support of the legislation which his efforts had done so much to stimulate. A statement by Secretary Robert B. Anderson, as well as other testimony in favor of the bill, was presented by Mr. T. Graydon Upton, Assistant Secretary of the Treasury and U.S. Executive Director of the International Bank. Under Secretary of State C. Douglas Dillon continued the administration's case for S. 3074. On March 21, Assistant Secretary Upton gave additional testimony and the nongovernmental witnesses were heard. Mr. John J. McCloy, chairman of the Chase Manhattan Bank, appeared in favor of the bill in a private capacity. Mr. C. Cheever Hardwick testified for the U.S. Chamber of Commerce, Mr. Bert Seidman for the AFL-CIO, Prof. Elton Atwater for the Friends Committee on National Legislation, and Herbert E. Harris II for the American Farm Bureau Federation. All but the last of these witnesses gave full support to S. 3074; Farm Bureau support was conditioned on a number of reservations. Statements in support of the measure were also received from representatives of the National Council of Farmer Cooperatives; the Women's International League for Peace and Freedom, the National Grange, the National Council of Churches of Christ in the U.S.A., the council-affiliated United Church Women, and the United Christian Missionary Society. A statement from the American Merchant Marine Institute, concentrating on the institute's specific interests, neither supported nor opposed the bill.

In executive session on May 9 the committee, by a vote of 10 to 3, ordered the bill reported favorably without amendment.

4. NATURE OF THE ASSOCIATION

The preamble to the articles sets forth the considerations motivating the signatory governments in joining the Association. It is noted that a cooperative approach to economic development and international trade fosters the maintenance of world peace and prosperity; that accelerated development of the less economically strong countries furthers the interests of the free world as a whole; and that these objectives would be served by an increased flow of public and private capital into the less-developed countries on an internationally concerted basis. Within this context, as stated in article I:

The purposes of the Association are to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the International Bank * * * and supplementing its activities.

In order to promote the above-described objectives most efficiently and to instill confidence that they will be achieved, the Association is to be an affiliate of the Bank. The Bank has never had a default, and it has amassed total reserves amounting to almost \$500 million. Membership in the Association will be open to the 68 members of the Bank; these in turn are members of the International Monetary Fund, since membership in the Fund is a prerequisite for joining the Bank. The President of the Bank will also be the head of the Association, and the Governors, Alternate Governors, and Executive Directors appointed by members of the Bank which are also members of the Association will represent their countries in the Association in the same capacities. Because all members of the Bank will not necessarily join the Association, the total number of these officials in the latter institution may be smaller, but the identity of such representatives will be the same as those in the Bank. Officers and staff of the Bank concurrently will serve the Association, which at least initially will have no separate personnel. However, the number of personnel with dual responsibilities may in time have to be augmented; in addition, article VI is flexible enough to permit the appointment of officers (other than the President) and staff to serve only the Association should that become necessary.

Despite this very close affiliation between the Bank and the Association, the latter will be a distinct entity and its funds will be kept separate and apart from those of the Bank. It will not borrow from or lend to the Bank, except that it may invest funds (not immediately necessary for operations) in Bank obligations.

As in the case of the Inter-American Development Bank Act of 1959, S. 3074 conforms in almost all its clauses to the Bretton Woods Agreements Act providing for U.S. participation in the International Bank and Monetary Fund. The bill makes similar provisions establishing procedures for dealing with possible legal disputes in U.S. courts, and for coordinating U.S. activities through the National Advisory Council, as well as giving the Association necessary immunities from domestic laws (as, for example, tax exemption).

5. FINANCIAL PROVISIONS

The articles provide for total initial subscriptions of \$1 billion—to be paid in over a 5-year period—assuming that all 68 International Bank members become original members of the Association. Each member's subscription is based on that member's proportional share of the Bank's capital stock, taking into account the authorized capital increases of 1959. The following schedule lists the contributions to be made by each proposed Association member.

Schedule of subscriptions

(In millions of U.S. dollars ¹⁾)

PART I		Part II—Continued	
Australia.....	20. 18	Guatemala.....	0. 40
Austria.....	5. 04	Haiti.....	. 76
Belgium.....	22. 70	Honduras.....	. 30
Canada.....	37. 83	Iceland.....	. 10
Denmark.....	8. 74	India.....	40. 35
Finland.....	3. 83	Indonesia.....	11. 10
France.....	52. 96	Iran.....	4. 54
Germany.....	52. 96	Iraq.....	. 76
Italy.....	18. 16	Ireland.....	3. 03
Japan.....	33. 59	Israel.....	1. 68
Luxembourg.....	1. 01	Jordan.....	. 30
Netherlands.....	27. 74	Korea.....	1. 26
Norway.....	6. 72	Lebanon.....	. 45
Sweden.....	10. 09	Libya.....	1. 01
Union of South Africa.....	10. 09	Malaya.....	2. 52
United Kingdom.....	131. 14	Mexico.....	8. 74
United States.....	320. 29	Morocco.....	3. 53
		Nicaragua.....	. 30
Total.....	763. 07	Pakistan.....	10. 09
		Panama.....	. 02
		Paraguay.....	. 30
PART II		Peru.....	1. 77
Afghanistan.....	1. 01	Philippines.....	5. 04
Argentina.....	18. 83	Saudi Arabia.....	3. 70
Bolivia.....	1. 06	Spain.....	10. 09
Brazil.....	18. 83	Sudan.....	1. 01
Burma.....	2. 02	Thailand.....	3. 03
Ceylon.....	3. 03	Tunisia.....	1. 51
Chile.....	3. 53	Turkey.....	5. 80
China.....	30. 26	United Arab Republic.....	6. 03
Colombia.....	3. 53	Uruguay.....	1. 06
Costa Rica.....	. 20	Venezuela.....	7. 06
Cuba.....	4. 71	Vietnam.....	1. 51
Dominican Republic.....	. 40	Yugoslavia.....	4. 04
Ecuador.....	. 65		
El Salvador.....	. 30		
Ethiopia.....	. 50	Total.....	236. 93
Ghana.....	2. 36		
Greece.....	2. 52	Total.....	1, 000. 00

¹ In terms of U.S. dollars of the weight and fineness in effect on Jan. 1, 1960.

In keeping with the purposes of the Association, the 17 more industrialized member countries of the Bank are grouped separately under part I, while the 51 less-developed countries are placed in part II. Both groups will pay 10 percent of their initial subscriptions in gold or freely convertible currencies; one-half of that percentage is to be paid in during the first year of operations, and one-quarter of the other half is to fall due in each of the 4 succeeding years. With regard to the remaining 90 percent of the subscriptions, the part I countries would pay the total in freely convertible currency or gold in five equal annual installments. The part II countries, on the other hand, would pay their 90-percent portion in installments of their national currencies, which the Association would not be free to convert into other currencies or use to finance exports from the country concerned without its consent. The Executive Directors of the International Bank, in their report, express the hope that the more developed of the part II countries will soon be in a position to

release at least some part of their respective 90-percent portions from these restrictions.

It will be noted that while the overall U.S. share is \$320.29 million, the other more industrialized countries will contribute almost \$443 million to the Association. An appropriation of \$73,666,700 will be required for the U.S. payments to the Association during its first year of operations. The following table gives in detail the projected payments by the United States.

U.S. subscription payments

[In U.S. dollars]

Installments and fiscal years	10-percent portion (1)	90-percent portion (2)	Total (3)
I—1961.....	¹ \$16,014,500	² \$57,652,200	³ \$73,666,700
II—1962.....	² 4,003,625	⁴ 57,652,200	⁵ 61,655,825
III—1963.....	² 4,003,625	⁴ 57,652,200	⁵ 61,655,825
IV—1964.....	² 4,003,625	⁴ 57,652,200	⁵ 61,655,825
V—1965.....	² 4,003,625	⁴ 57,652,200	⁵ 61,655,825
Total.....	32,029,000	288,261,000	320,290,000

¹ 50 percent of 10 percent portion (5 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later.

² 12½ percent of 10 percent portion (1¼ percent of total subscription) payable 1 year after beginning of operations of Association, and at annual intervals thereafter until 10 percent portion fully paid.

³ 20 percent of 90 percent portion (18 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later.

⁴ 20 percent of 90 percent portion (18 percent of total subscription) payable 1 year after beginning of operations of Association, and at annual intervals thereafter until 90 percent portion fully paid.

⁵ 23 percent of total subscription (5 percent plus 18 percent).

⁶ 19¼ percent of total subscription (1¼ percent plus 18 percent).

Voting power in the Association is roughly based upon the size of a country's initial subscription and thus upon the pattern of voting rights in the International Bank. However, since each original member obtains 500 votes (compared with 250 in the Bank) plus 1 additional vote for each \$5,000 of its subscription, the ratio of votes to contributions is slightly different from that in the Bank. In both institutions this pattern is designed to give the less developed countries increased participation and interest in efficient management. The United States, which contributes about 32 percent of the Association's total resources, will get 27.6 percent of the vote, or 64,558 out of a possible 234,000 votes. At the same time, this disparity also affects the voting rights of the other large contributors: for example, the United Kingdom will put up 13.1 percent of the initial subscriptions, but will receive only 11.4 percent of the votes.

Because of the long-term character of the Association's projected loan operations, in conjunction with the relatively limited initial resources, it is contemplated that periodic replenishment of those resources may be necessary. The articles therefore provide for a review of the adequacy of the subscriptions prior to the end of the initial 5-year period, and then for similar reviews at about 5-year intervals. In addition, general or individual increases in resources may be authorized at any time, but will be made only on a voluntary basis in either case. In this connection, S. 3074 requires the approval of Congress for any increase in the U.S. subscription.

Besides the subscriptions which members are obligated to make, supplementary resources may also be contributed by a member in

the currency of another member provided the latter agrees and accepts the terms that may be worked out among the two members and the Association. While such currency transfers would not entitle the contributor to more votes, they would be recognized in a "special development certificate" recording the amounts and the terms under which they were provided; these terms could include arrangements for the contributing country to receive some portion of the Association's earnings from the currencies.

Section 5(c) of the bill prohibits, without further congressional authorization, U.S. loans or other financing for the Association—

except that loans or other financing may be provided to the Association by a United States agency created pursuant to an Act of Congress which is authorized by law to make loans or to provide other financing to international organizations.

This exception is intended to make clear that section 5(c) neither increases nor diminishes existing legal authorities.

A primary aspect of U.S. interest in the Association has been the possibility of contributing local currencies accumulating under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480, 83d Cong., 2d sess.). If placed under the control of the Association, such currencies might well be of broader usefulness. The degree to which the United States might make such currencies available to the Association will depend on the future amounts and terms of Public Law 480 sales, among other factors. Nevertheless, the executive branch informally indicates that perhaps a 10-percent portion of any such sale might be so utilized with the consent of the country whose currency is involved. While the administration believes it technically has authority to employ this provision, it has submitted to Congress a proposed amendment to Public Law 480 to make the authorization explicit.

6. OPERATIONS OF THE ASSOCIATION

The Association is designed to perform on a multilateral basis roughly the same functions which the U.S. Development Loan Fund performs bilaterally. Financing will be provided by the Association to its less-developed members for purposes of high developmental priority and, except in special circumstances, for specific projects. This financing will not be provided if it can be obtained from private sources on reasonable terms or through a loan of the type made by the International Bank. In their report on the articles of agreement, the Bank's Executive Directors supplement these intentionally broad provisions by explaining that projects such as pilot housing, sanitation, water supply, etc., are eligible, although the major portion of the Association's resources would probably be devoted to basic economic projects, such as railway programs or a group of integral parts of a country's or region's development program.

The very general language of the articles with respect to the terms and forms of the Association's financing permits that flexibility considered vital to the success of the institution. Again, according to the Executive Directors' report, the Association may implement the articles, in the case of loans made in freely convertible currencies—

in any of a number of ways: for example, by providing for lenient terms of repayment (such as loans repayable in foreign exchange with long maturities or long periods of grace or both, or loans repayable wholly or partly in local currency), by lending free of interest or at a low rate of interest, or by some combination of the foregoing.

Financing may be provided to a member government or its subdivisions, to a public or private entity in the territories of a member so long as no member government objects, or to a public international or regional organization. The Association will not impose conditions that the proceeds of its financing shall be spent in the territories of any particular members, nor will the Association be influenced by any but economic considerations in making decisions. At the same time, the Association may accept any restrictions on the use of initial or supplementary resources which are in accordance with the articles.

Following the International Bank's practices in general, the Association will encourage borrowers to take advantage of international competition in placing orders. It will also conform to the Bank practice of making funds available only to meet expenses in connection with a project as they are actually incurred, and it will exercise continuing supervision over the project. However, while the Bank requires a member government's guarantee on a loan to a private entity in the member's territory, the Association may exercise an option in this regard. Finally, the Association will cooperate with other international and national entities providing assistance to less developed areas, and specifically will enter into formal arrangements with the United Nations.

7. PROVISIONS FOR ESTABLISHMENT

The proposed Association will come into existence when the articles of agreement have been accepted by governments contributing not less than 65 percent of the total \$1 billion in subscriptions, and when instruments to that effect have been deposited with the International Bank. However, in no event will the agreement enter into force before September 15, 1960. The agreement will remain open for signature through December 31, 1960, and if it has not entered into force by that date, the Executive Directors of the Bank may extend the period for signature but for no more than 6 months.

A member country may at any time withdraw from membership, and its withdrawal will become effective upon the date notice in writing is received. A withdrawing member would receive back either the sums paid on account of its subscription or a proportionate share of the net assets of the Association. Should the Association permanently suspend its operations, members would receive pro rata shares in its assets in proportion to amounts paid on subscriptions. Prior special arrangements would determine the disposition of any supplementary resources that had been turned over to the Association.

8. CONCLUSIONS

The Committee on Foreign Relations believes that greater efforts must be made in concert by the economically stronger countries of the free world to provide the capital, skills and goods needed for the effective development of resources in the less fortunate members of the free-world community. Such efforts are essential not only to the immediate and future independence and well-being of peoples in the less-developed countries, but also to the long-range interests of the world community in expanded markets and communication between free peoples. While the United States has recognized these requirements, and has done much to meet them, a number of the other more developed countries have not devoted comparable attention or resources to this central problem of our times.

In this context, the committee draws particular notice to the fact that the other part I members of the proposed Association collectively would contribute about \$123 million more than would the United States. The Association will provide a mechanism—not hitherto available—to stimulate those other members to accept in the future a more nearly proportionate responsibility for the provision of capital on a flexible and long-term basis. The Association also will offer an instrument for less limited and thus more effective use of accumulations of presently inconvertible currencies held, especially by the United States, among the proposed original members. Finally, the committee emphasizes that sound planning and fiscal responsibility are essential to the creation of those basic economic facilities which will stimulate an expanded flow of private and public investment. The admirable record of the International Bank in this regard promotes confidence that the objectives of the proposed affiliated Association will be achieved.

The committee urges the Senate to enact S. 3074.



Calendar No. 1414

86TH CONGRESS
2D SESSION

S. 3074

[Report No. 1349]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 19 (legislative day, FEBRUARY 15), 1960

Mr. FULBRIGHT (by request) introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

MAY 13, 1960

Reported by Mr. GREEN, without amendment

A BILL

To provide for the participation of the United States in the
International Development Association.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SHORT TITLE

4 SECTION 1. This Act may be cited as the "International
5 Development Association Act".

6 ACCEPTANCE OF MEMBERSHIP

7 SEC. 2. The President is hereby authorized to accept
8 membership for the United States in the International De-
9 velopment Association (hereinafter referred to as the "Asso-
10 ciation"), provided for by the articles of agreement (here-
11 inafter referred to as the "articles") of the Association de-

1 posited in the archives of the International Bank for Recon-
2 struction and Development.

3 GOVERNOR, EXECUTIVE DIRECTOR, AND ALTERNATES

4 SEC. 3. The Governor and Executive Director of the
5 International Bank for Reconstruction and Development, and
6 the alternate for each of them, appointed under section 3
7 of the Bretton Woods Agreements Act, as amended (22
8 U.S.C. 286a), shall serve as Governor, Executive Director,
9 and alternates, respectively, of the Association.

10 NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONE-
11 TARY AND FINANCIAL PROBLEMS

12 SEC. 4. The provisions of section 4 of the Bretton Woods
13 Agreements Act, as amended (22 U.S.C. 286b), shall apply
14 with respect to the Association to the same extent as with
15 respect to the International Bank for Reconstruction and
16 Development and the International Monetary Fund. Re-
17 ports with respect to the Association under paragraphs (5)
18 and (6) of subsection (b) of section 4 of said Act, as
19 amended, shall be included in the first report made there-
20 under after the establishment of the Association and in each
21 succeeding report.

22 CERTAIN ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

23 SEC. 5. Unless Congress by law authorizes such action,
24 neither the President nor any person or agency shall, on
25 behalf of the United States, (a) subscribe to additional funds

1 under article III, section 1, of the articles; (b) accept any
2 amendment under article IX of the articles; or (c) make a
3 loan or provide other financing to the Association, except that
4 loans or other financing may be provided to the Association
5 by a United States agency created pursuant to an Act of
6 Congress which is authorized by law to make loans or pro-
7 vide other financing to international organizations.

8 DEPOSITORIES

9 SEC. 6. Any Federal Reserve bank which is requested to
10 do so by the Association shall act as its depository or as its
11 fiscal agent, and the Board of Governors of the Federal
12 Reserve System shall supervise and direct the carrying out
13 of these functions by the Federal Reserve banks.

14 PAYMENT OF SUBSCRIPTIONS

15 SEC. 7. (a) There is hereby authorized to be appropri-
16 ated, without fiscal year limitation, for the subscription of the
17 United States to the Association, \$320,290,000.

18 (b) For the purpose of keeping to a minimum the cost
19 to the United States of participation in the Association, the
20 Secretary of the Treasury, after paying the requisite part of
21 the subscription of the United States in the Association re-
22 quired to be made under the articles, is authorized and di-
23 rected to issue special notes of the United States from time to
24 time, at par, and to deliver such notes to the Association in
25 exchange for dollars to the extent permitted by the articles.

1 The special notes provided for in this subsection shall be
2 issued under the authority and subject to the provisions of
3 the Second Liberty Bond Act, as amended, and the purposes
4 for which securities may be issued under that Act are ex-
5 tended to include the purposes for which special notes are
6 authorized and directed to be issued under this subsection,
7 but such notes shall bear no interest, shall be nonnegotiable,
8 and shall be payable on demand of the Association. The
9 face amount of special notes issued to the Association under
10 the authority of this subsection and outstanding at any one
11 time shall not exceed, in the aggregate, the amount of the
12 subscription of the United States actually paid to the Associa-
13 tion under the articles.

14 (c) Any payment made to the United States by the
15 Association as a distribution of net income shall be covered
16 into the Treasury as a miscellaneous receipt.

17 JURISDICTION AND VENUE OF ACTIONS

18 SEC. 8. For the purpose of any action which may be
19 brought within the United States, its possessions, or the
20 Commonwealth of Puerto Rico, by or against the Associa-
21 tion in accordance with the articles, the Association shall be
22 deemed to be an inhabitant of the Federal judicial district
23 in which its principal office in the United States is located,
24 and any such action at law or in equity to which the Asso-
25 ciation shall be a party shall be deemed to arise under the

1 laws of the United States, and the district courts of the
2 United States shall have original jurisdiction of any such
3 action. When the Association is a defendant in any such
4 action, it may, at any time before the trial thereof, remove
5 such action from a State court into the district court of
6 the United States for the proper district by following the
7 procedure for removal of causes otherwise provided by law.

8 STATUS, IMMUNITIES, AND PRIVILEGES

9 SEC. 9. The provisions of article VII, section 5(d),
10 and article VIII, section 2 to 9, both inclusive, of the
11 articles shall have full force and effect in the United States,
12 its possessions, and the Commonwealth of Puerto Rico, upon
13 acceptance of membership by the United States in, and the
14 establishment of, the Association.

A BILL

To provide for the participation of the United States in the International Development Association.

By Mr. FULBRIGHT

FEBRUARY 19 (legislative day, FEBRUARY 15), 1960
Read twice and referred to the Committee on Foreign Relations

MAY 13, 1960

Reported without amendment

May 26, 1966

10. COOPERATIVES; FARM CREDIT. Passed as reported S. 2977, to amend the Farm Credit Act of 1933 so as to provide for increased representation by regional banks for cooperatives on the board of directors of the Central Bank for Cooperatives. pp. 10392-3
11. LANDS; FORESTRY. Passed without amendment S. 3070, to provide for the removal of the restriction on use with respect to certain former Soil Conservation Service nursery lands in Morton County, N. Dak., conveyed to N. Dak. on July 20, 1955. p. 10393
Passed over, at the request of Sen. Keating, S. 2583, to authorize the head of any executive agency to reimburse the owners and tenants of lands or interest therein for moving or other expenses incurred by such persons resulting from the acquisition of the property by the Federal Government. p. 10397
Passed over, at the request of Sen. Bartlett, H. R. 7681, to provide for the transfer from Interior to this Department of certain authorities for the exchange or sale of forest land and timber. p. 10395
Passed over, at the request of Sen. Bartlett, S. 3044, to authorize and direct that the national forests be managed under principles of multiple use and to produce a sustained yield of products and services. p. 10401
Passed over, at the request of Sen. Bartlett, S. 1787, to regulate the misbranding, false advertising, and false invoicing of decorative hardwood or imitation hardwood products. p. 10401
Began consideration of S. 1617, to provide for the adjustment of legislative jurisdiction exercised by the U. S. over land in the several States used for Federal purposes. p. 10404
12. TAXES; PROPERTY. Passed without amendment H. R. 9983, to extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments. This bill will now be sent to the President. p. 10395
13. FOREIGN AID. Passed over, at the request of Sen. Bartlett, S. 3074, to provide for U. S. participation in the International Development Association. p. 10395
14. INFORMATION; SCIENCE. By a vote of 77 to 4, agreed to a resolution of ratification of an international agreement for facilitating the international circulation of visual and auditory materials of an educational, scientific, and cultural character. pp. 10364-84
15. RESEARCH. Passed without amendment S. 1235, to authorize the Secretary of Commerce to enter into contracts for the conduct of research in the field of meteorology. p. 10395
16. WOOL. Passed as reported H. R. 9322, to make permanent the existing suspension of duties on certain coarse wool. pp. 10399-400
17. PERSONNEL; PROPERTY. Passed as reported H. R. 9881, to extend for two years the existing provisions of law relating to the free importation of personal and household effects brought into the U. S. under Government orders. pp. 10400-1
18. LIBRARIES. Passed as reported S. 2830, to extend for 5 years the appropriation authorizations under the Library Services Act. pp. 10401-2

19. FARM WAGES. Sen. Williams, N. J., inserted an article which "adds new understanding to the desirability of improving farm wages and to what the consequences might be on food prices," and stated that the Labor Department has just completed a study which "concludes that a minimum wage for hired farmworkers is both feasible and desirable if the rates are set within appropriate limits." pp. 10407-8
20. PERSONNEL. The Post Office and Civil Service Committee voted to report (but did not actually report) the following bills: pp. D468-8
S. 1638, with amendment, to provide for an effective system of personnel administration for the executive branch of the Government;
H. R. 4595, with amendment, to clarify and make uniform certain provisions of law relating to special postage rates for educational, cultural, and library materials;
H. R. 4601, to amend the Act of September 1, 1954, in order to limit to cases involving the national security the prohibition on payment of annuities and retired pay to officers and employees of the U. S.;
H. R. 10996, to authorize the use of certified mail for the transmission or service of matter required by certain Federal laws to be transmitted by registered mail.
21. WATER RIGHTS. Sen. Kuchel discussed the rights of States to have jurisdiction over the water within their boundaries, criticized "the startling assertion by the U. S. Department of Justice that the Federal Government, not the State of California, owns all of the unappropriated water rights in the State," and inserted several items discussing this matter. pp. 10349-53
22. PALM OIL. Received from GSA a notice of the proposed disposition of approximately 37,609,878 pounds of palm oil now held in the national stockpile. p. 10329
23. MIGRATORY LABOR. Sen. Williams, N. J., inserted his statement urging the enactment of legislation to provide Federal assistance for the education of children of migratory workers. pp. 10335-6

ITEMS IN APPENDIX

24. AREA DEVELOPMENT. Extension of remarks of Rep. Gray stating that the people in his district "were all grieved when the President saw fit to veto the area redevelopment bill." pp. A4482-3
25. FLOOD CONTROL. Sen. Wiley inserted excerpts from his recent address before the National Rivers and Harbors Congress. p. A4483
26. FARM PROGRAM. Extension of remarks of Rep. Quie inserting a Grange Farm Reporter newsletter which discusses the Poage farm bill. pp. A4483-4
Rep. Poage commended and inserted an article "which gives a factual report of the farm situation," and "which shows very clearly just how a return to unlimited plantings would weaken our entire economy." pp. A4519-20
Rep. Hagen inserted an article by Chas. Shuman which states that "Agriculture's modern quest for the unattainable is the equally fruitless search for a 'sound, workable Government farm program.'" pp. A4533-4
27. RURAL COUNTIES. Sen. Mundt stated that a "considerable amount of support has developed" for his proposed bill which would create a Federal Commission to deal with the problems of small towns and rural areas in America, and inserted two articles on this subject. pp. A4486-7

(b) It shall be unlawful for the master or owner or any person in charge of any fishing vessel of the United States to fail to stop upon being hailed by a duly authorized official of the United States or Cuba, or to refuse to permit the duly authorized official of the United States or Cuba to board such vessel or inspect its equipment, books, documents, or other articles or question the persons on board in accordance with the provisions of this Act or the Convention, as the case may be, or obstruct such officials in the performance of their duties.

SEC. 15. (a) Any person, subject to the jurisdiction of the United States, violating any provision of subsection (a) of section 14 of this Act shall upon conviction be fined not more than \$5,000 for a first offense, and for a subsequent offense not more than \$10,000 and for each offense the court may order forfeited, in whole or in part, the shrimp involved in the offense, or the fishing gear involved in such fishing, or both, or the monetary value thereof. Such forfeited shrimp or fishing gear shall be disposed of in accordance with the direction of the court.

(b) Any person, subject to the jurisdiction of the United States, violating subsection (b) of section 14 of this Act shall upon conviction be fined not more than \$10,000 and for such offense the court may order forfeited, in whole or in part, the shrimp or fishing gear on board the vessel, or both, or the monetary value thereof. Such shrimp or fishing gear shall be disposed of in accordance with the direction of the court.

SEC. 16. There is hereby authorized to be appropriated from time to time such sums as may be necessary for carrying out the purposes and provisions of the convention and this Act.

SEC. 17. If any provision of this Act or the application of such provision to any circumstances or persons shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances or persons shall not be affected thereby.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

RESEARCH IN THE FIELD OF METEOROLOGY

The bill (S. 1235) to authorize the Secretary of Commerce to enter into contracts for the conduct of research in the field of meteorology and to authorize installation of Government telephones in certain private residences, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in order to improve the meteorological services of the United States the Secretary of Commerce may enter into contracts with private or governmental facilities to conduct research in meteorology, including agricultural meteorology, hydrology, climatology, and closely related geophysical fields, and provide for the publication of results of such research contracts unless such publication would be contrary to the public interest.

SEC. 2. Notwithstanding the provisions of section 7 of the Act of August 23, 1912 (ch. 350, 37 Stat. 414), as amended, appropriations for the Weather Bureau shall be available to pay for telephone service installed in private residences when such installation is determined by the Secretary of Commerce to be needed in carrying out the provisions of law authorizing the collection and distribution of data relating to information, on

weather conditions in the United States, its Territories and possessions: *Provided,* That in addition to the monthly local service charge the Government may pay only such tolls or other charges as are required strictly for the public business.

BILLS PASSED OVER

The bill (S. 3074) to provide for the participation of the United States in the International Development Association, was announced as next in order.

Mr. BARTLETT. Over, Mr. President.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 2581) to amend the act of June 1, 1948 (62 Stat. 281), to empower the Administrator of General Services to appoint nonuniformed special policemen, was announced as next in order.

Mr. KEATING. Mr. President, over, by request.

The PRESIDING OFFICER. The bill will be passed over.

PAYMENTS IN LIEU OF TAXES

The bill (H.R. 9983) to extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (H.R. 7681) to enact provisions of Reorganization Plan No. 1 of 1959, with certain amendments, was announced as next in order.

Mr. BARTLETT. Over, Mr. President, as not being properly calendar business.

The PRESIDING OFFICER. The bill will be passed over.

PENALTIES FOR THREATS AGAINST THE SUCCESSORS TO THE PRESIDENCY

The bill (S. 3366) to amend title 18, United States Code, sections 871 and 3056, to provide penalties for threats against the successors to the Presidency and to authorize their protection by the Secret Service was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 18, United States Code, section 871, is amended to read as follows.

"§ 871. Threats against President and successors to the Presidency.

"(a) Whoever knowingly and willfully deposits for conveyance in the mail or for delivery from any post office or by any letter carrier any letter, paper, writing, print, mis-sive, or document containing any threat to take the life of or to inflict bodily harm upon the President of the United States, the President-elect, the Vice President, or other officer next in the order of succession to the office of President of the United States, or the Vice-President-elect, or knowingly and willfully otherwise makes any such threat

against the President, President-elect, Vice President or other officer next in the order of succession to the office of President, or Vice-President-elect, shall be fined not more than \$1,000 or imprisoned not more than five years, or both.

"(b) The terms 'President-elect' and 'Vice-President-elect' as used in this section shall mean such persons as are the apparent successful candidates for the offices of President and Vice President, respectively, as ascertained from the results of the general elections held to determine the electors of President and Vice President in accordance with title 3, United States Code, sections 1 and 2. The phrase 'other officer next in the order of succession to the office of President' as used in this section shall mean the person next in the order of succession to act as President in accordance with title 3, United States Code, sections 19 and 20."

SEC. 2. The analysis of chapter 41 of title 18, United States Code, immediately preceding section 871 of such title is amended by deleting

"871. Threats against President, President-elect, and Vice President."

and inserting in lieu thereof the following:

"871. Threats against President and successors to the Presidency."

SEC. 3. The first independent clause of title 18, United States Code, section 3056, is amended to read as follows:

"§ 3056. Secret Service powers.

"Subject to the direction of the Secretary of the Treasury, the United States Secret Service, Treasury Department, is authorized to protect the person of the President of the United States, the members of his immediate family, the President-elect, the Vice President, or other officer next in the order of succession to the office of President, and the Vice-President-elect;".

SEC. 4. Section 3 of this Act shall be effective with respect to the Vice President as of January 20, 1961.

EXTENSION OF TERM OF DESIGN PATENT NO. 21,053

The bill (S. 2744) to extend the term of design patent No. 21,053 for a badge granted to George Brown Goode and assigned to the National Society, Daughters of the American Revolution was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That a certain design patent issued by the United States Patent Office, dated September 22, 1891, being patent numbered 21,053, is hereby renewed and extended for a period of fourteen years from and after the date of approval of this Act, with all the rights and privileges pertaining to the same, being generally known as the badge of the Daughters of the American Revolution.

MLADEN CARRARA AND OTHERS

The bill (S. 700) for the relief of Mladen Carrara, Tonina Carrara, Ante Carrara and Zvonko Carrara was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purposes of the Immigration and Nationality Act, Mladen Carrara, Tonina Carrara, Ante Carrara and Zvonko Carrara shall be held and considered to have been lawfully ad-

mitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fees. Upon the granting of permanent residence to such aliens as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct the required numbers from the appropriate quota or quotas for the first year that such quota or quotas are available.

CHRISTOS G. DIAVATINOS

The bill (S. 993) for the relief of Christos G. Diavatinos was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Christos G. Diavatinos shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee.

GEORGE D. EMERY CO.

The bill (S. 2277) for the relief of the George D. Emery Co. was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the Geo. D. Emery Company, of New York, New York, the sum of \$20,000. The payment of such sum shall be in full satisfaction of all claims of such company against the United States for reimbursement and compensation due for services performed by such company between 1950 and 1953 in cooperation with the Reconstruction Finance Corporation and other Government agencies in connection with a project to establish for the United States an eight thousand acre abaca plantation in Ecuador.

(b) The sum appropriated by this section is the amount found by the Court of Claims, acting pursuant to S. Res. 102, Eighty-fourth Congress, to be equitably due the Geo. D. Emery Company as a result of the performance by such company of the services referred to in subsection (a) of this section.

SEC. 2. No part of the amount appropriated in this Act in excess of 10 per centum thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

JULIA SUKKAR

The bill (S. 2740) for the relief of Julia Sukkar was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Julia Sukkar shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secre-

tary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

EUGENE STORME

The bill (S. 2942) for the relief of Eugene Storme was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a) (27) (A) and 205 of the Immigration and Nationality Act, the minor child, Eugene Storme, shall be held and considered to be the natural-born alien child of Stanley Storme and Adele Storme, citizens of the United States: Provided, That the natural parents of the said Eugene Storme shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

OH CHUN SOON

The bill (S. 3049) for the relief of Oh Chun Soon was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a) (27) (A) and 205 of the Immigration and Nationality Act, the minor child, Oh Chun Soon, shall be held and considered to be the natural-born alien child of Mr. and Mrs. Alvin L. May, citizens of the United States: Provided, That the natural parents of the said Oh Chun Soon shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

SAMUEL PISAR

The Senate proceeded to consider the bill (S. 3032) for the relief of Samuel Pisar, which had been reported from the Committee on the Judiciary, with an amendment to strike out all after the enacting clause and insert:

That, notwithstanding the provisions of the Immigration and Nationality Act, the periods of time Samuel Pisar has resided and was physically present in the United States or any State since October 29, 1956, shall be held and considered as compliance with the residence or physical presence requirements of section 316 of the said Act.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

ANNE MARIE STEHLIN

The Senate proceeded to consider the bill (S. 3130) for the relief of Anne Marie Stehlin, which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, Anne-Marie Stehlin, a naturalized citizen of the United States, shall be permitted to reside in France until May 31, 1964, without losing her United States citizenship under section 352(a) of such Act.

Mr. KEATING. Mr. President, I am delighted at the favorable action of the

Senate Committee on the Judiciary on my bill—S. 3130—for the relief of Anne Marie Stehlin.

Mrs. Stehlin's case is illustrative of the difficulties which can be visited upon dedicated, loyal Americans by the complexities of our Immigration and Naturalization laws. Her mother, grandmother, great grandmother and great-great grandmother were all American citizens, and her family dates back in the United States to the early 1800's.

Mrs. Stehlin's father was a French citizen, as is her husband, Gen. Paul Stehlin, the chief of the French Air Force. However, both she and her mother declared at the time of their marriages, that they did not want to become French citizens and desired to retain their American citizenship. For many years after her naturalization, Mrs. Stehlin returned periodically to the United States. Because of her husband's position, it is now virtually impossible for Mrs. Stehlin to come to the United States without leaving her husband and child in Europe. At the same time, under the provisions of the Immigration and Naturalization Act, she would lose her American citizenship if she did not return to the United States. There is no justification whatever for placing Mrs. Stehlin and her family in this dilemma. The situation is obviously upsetting to her and could have a very undesirable effect on the morale of all the principals involved. This bill would simply permit Mrs. Stehlin to continue to be with her husband without risking the loss of her U.S. citizenship.

I have received letters in behalf of the legislation from many eminent Americans including the distinguished Senator from Missouri [Mr. SYMINGTON], all of which are contained in the report of the committee.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended, so as to read: "A bill for the relief of Anne Marie Stehlin."

LEANDRO PASTOR, JR., AND PEDRO PASTOR

The bill (H.R. 1402) for the relief of Leandro Pastor, Jr., and Pedro Pastor was considered, ordered to a third reading, read the third time, and passed.

JOHAN KAREL CHRISTOPH SCHLICHTER

The bill (H.R. 1463) for the relief of Johan Karel Christoph Schlichter was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (H.R. 1516) for the relief of Juan D. Quintos, Jaime Hernandez, Delfin Buencamino, Soledad Gomez, Nieves G. Argonza, Feledidad G. Sarayba, Carmen Vda de Gomez, Perfecta B. Quintos, and Binevenida San Augustin was announced as next in order.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued June 3, 1960
For actions of June 2, 1960
86th-2d, No. 100

Chemical additives.....	25
Chicory imports.....	42
Coconut imports.....	5
Cultural exchange.....	8
Defense production.....	21
Depressed areas.....	37
Education.....	34
Electrification.....	6
Exhibits.....	35
Extension work.....	24
Farm labor.....	18,32
Farm loans.....	17
Farm products.....	31
Farm program.....	33
FAS.....	30
Foreign affairs.....	23
Foreign aid.....	1
Foreign travel.....	11
Forestry.....	15,16
Health.....	25
Industrial uses.....	19
Information.....	13,27,35

Interest rates.....	17
International development.....	23
Lands.....	15,28,38
Legislative program.....	15
Libraries.....	27
Minerals.....	28
Patents.....	9
Personnel.....	2,22,29
Postal service.....	4,13
Property.....	24,41

Public Law 480.....	1
Purchasing.....	39
Reclamation.....	3,7
Research.....	9,19,25
Small business.....	20
Trade fairs.....	8
Transportation.....	14,40
Water compact.....	36
Water resources.....	7
Watersheds.....	12,26
Wildlife.....	10,16

HIGHLIGHTS: House Rules Committee cleared Mexican farm labor bill. House passed: Multiple use forestry management bill; bill to revise Farmers Home Administration laws. House appointed conferees on industrial uses research bill.

SENATE

1. FOREIGN AID. Passed with an amendment S. 3074, to provide for participation of the United States in the International Development Association (pp. 10829-44, 10845-50). Sen. Fulbright stated that it is contemplated that the United States would use a portion of the foreign currencies accumulating under title I of Public Law 480 in supporting the work of the Association (p. 10830).
2. PERSONNEL. Passed as reported H. R. 7577, to provide for the defense of suits against Federal employees arising out of their operation of motor vehicles in the scope of their employment. pp. 10802-3
3. RECLAMATION. Agreed to the amendments of the House to S. 1892, to authorize the Secretary of the Interior to construct and operate the Norman, Okla., reclamation project. This bill will now be sent to the President. pp. 10794-5
4. POSTAL SERVICE. Passed without amendment H. R. 10996, to authorize the use of certified mail for the transmission or service of matter required by certain Federal laws to be transmitted or served by registered mail. This bill will now be sent to the President. p. 10810

5. IMPORT DUTIES. Passed as reported H. R. 11748, to provide a tariff rate of 1 1/10 cents per pound on the importation of fresh or frozen coconut meat, and to provide for the free importation of tight barrelheads of softwood. pp. 10810-1
6. ELECTRIFICATION. Sen. Randolph commended the United Utilities of West Virginia for installing a rural telephone system with the help of an REA loan, stating that it "is a dramatic example of how private enterprise and the Federal Government can work together for the betterment of our society." p. 10796
7. WATER RESOURCES; RECLAMATION. Sen. Anderson inserted a recent address by Commissioner of Reclamation, Floyd E. Dominy, discussing "reclamation's future program" and pointing up the problems involved in furnishing adequate water for the growing population. pp. 10795-6
8. CULTURAL EXCHANGES; TRADE FAIRS. Both Houses received from the President the seventh semiannual report of operations under the International Cultural Exchange and Trade Fair Participation Act of 1958. pp. 10787, 10879
9. PATENTS. Sen. Javits inserted a Central New York Patent Law Association resolution opposing enactment of S. 3156, defining rights under inventions arising from research conducted under projects financed by the U. S. p. 10788
10. FISH AND WILDLIFE. Passed over, at the request of Sen. Keating, H. R. 2565, to promote effectual planning, development, maintenance, and coordination of wildlife, fish and game conservation and rehabilitation on military reservations. p. 10811
11. FOREIGN TRAVEL. Passed over, at the request of Sen. Prouty, S. 3102, to provide for the establishment of an Office of International Travel and Tourism and a Travel Advisory Board. p. 10811
12. WATERSHEDS. Passed over, at the request of Sen. Engle, S. 3383, to amend Sec. 4 of the Watershed Protection and Flood Prevention Act so as to authorize Federal assistance on watershed projects prior to acquisition of land, easements, or rights-of-way needed in connection with works of improvement. p. 10811
13. POSTAL RATES; INFORMATION. Passed over, at the request of Sen. Engle, H. R. 4595, to clarify and make uniform certain provisions of law relating to special postage rates for educational, cultural, and library materials. p. 10811
14. TRANSPORTATION. Passed over, at the request of Sen. Engle, H. R. 10840, to extend the period during which ocean steamship lines may utilize the two-rate system of charging for transportation service. p. 10811
15. LEGISLATIVE PROGRAM. Sen. Johnson announced that the following bills will be considered today, June 3: S. 3044, to authorize the national forests to be managed under principles of multiple use and sustained yield; H. R. 7681, transfer of certain authorities for the exchange or sale of forest land and timber from Interior to USDA; and S. 2583, to authorize reimbursement of owners of land acquired by U. S. for their moving expenses. p. 10851

June 2, 1960

HOUSE

16. FORESTRY. Passed with amendments H. R. 10572, to authorize and direct that the national forests be managed under principles of multiple use and to produce a sustained yield of products and services (pp. 10856-79). Earlier a Rules Committee resolution for the consideration of this bill was agreed to (pp. 10853-5).
Agreed to the following amendments:
By Rep. Hoffman, Mich., setting out the States rights in jurisdiction over fish and wildlife on national forests (pp. 10875-6).
By Rep. Cooley exempting mineral resources and lands not within national forests from provisions of the bill (pp. 10876-7).
By Rep. Cooley making the establishment and maintenance of wilderness areas consistent with the provisions of the act (p. 10877).
By Rep. Cooley defining the terms "multipleuse" and "sustained yield of the several products and services" (pp. 10877-9).
17. FARM LOANS. Passed with amendments H. R. 11761, to simplify, consolidate, and improve the authority of the Secretary of Agriculture with respect to Farmers Home Administration loans to farmers and ranchers (pp. 10879-91). Earlier a Rules Committee resolution for the consideration of this bill was agreed to (pp. 10855-6). Agreed to an amendment by Rep. Cooley defining, for the purposes of the bill, the term "farm" (p. 10890), and an amendment by Rep. Cooley limiting to 6% per annum the maximum interest rate that can be charged on insured loans (p. 10890).
18. FARM LABOR. The Rules Committee reported a resolution for the consideration of H. R. 12176, to extend the Mexican farm labor program until June 30, 1963. pp. 10907, 10930
19. INDUSTRIAL USES. Conferees were appointed on S. 690, the industrial uses research bill to create an Agricultural Research and Development Commission. Senate conferees have already been appointed. p. 10907
20. SMALL BUSINESS. The Banking and Currency Committee reported with amendment H. R. 11207, to amend the Small Business Act so as to authorize additional loans to small businesses (H. Rept. 1738). p. 10929
21. DEFENSE PRODUCTION. The Banking and Currency Committee reported without amendment H. R. 12052, to extend the Defense Production Act of 1950, as amended, for an additional two years (H. Rept. 1739). p. 10930
22. PERSONNEL. The Education and Labor Committee reported without amendment H. R. 12383, to amend the Federal Employees' Compensation Act to make benefits more realistic in terms of present wage rates (H. Rept. 1743). p. 10930
23. FOREIGN AFFAIRS. The Banking and Currency Committee voted to report (but did not actually report) H. R. 11001, to provide for the participation of the U. S. in the International Development Association. p. D494
24. PROPERTY; EXTENSION WORK. The Donable Property Subcommittee of the Government Operations Committee voted to report to the full committee the following bills: (p. D495)
H. R. 9600, to authorize and direct the transfer of certain personal property to State and county agencies engaged in cooperative agricultural extension work;

H. R. 11394, to amend the Federal Property and Administrative Services Act of 1949 so as to permit donations of surplus property to certain educational institutions.

H. R. 11437, to amend the Federal Property and Administrative Services Act of 1949 so as to permit the donation of foreign excess property to medical institutions, hospitals, clinics, health centers, schools, colleges, and universities.

H. R. 11499, to amend the Federal Property and Administrative Services Act of 1949, as amended, so as to authorize the use of surplus personal property by State distribution agencies.

25. HEALTH; CHEMICAL ADDITIVES. The Interstate and Foreign Commerce Committee voted to report (but did not actually report) the following bills: (p. D495)

H. R. 6871, to provide for the extension of traineeship under the Public Health Training Act.

H. R. 7624, to amend the Federal Food, Drug, and Cosmetic Act so as to authorize the use of suitable color additives in or on foods, drugs, and cosmetics in accordance with regulations prescribing the conditions (including maximum tolerances) under which such additives may be safely used.

S. 1283, to regulate the interstate distribution and sale of packages of hazardous substances intended or suitable for household use.

26. WATERSHEDS. The Watershed Development Subcommittee of the Public Works Committee approved watershed projects in Upper Verdigris watershed, Kan., Reelfoot Indian Creek watershed, Tenn. and Ky., and Olmitos and Garcias Creeks watershed, Tex. pp. D495-6

27. INFORMATION; LIBRARIES. The Rules Committee denied granting a rule on H. R. 12125, to amend the Library Services Act in order to extend for 5 years the authorization for appropriations. p. D496

28. LANDS; MINERALS. The Rules Committee denied granting a rule on H. R. 8860, to stabilize the mining of domestic producers of lead and zinc on public, Indian, and other lands. p. D496

ITEMS IN APPENDIX

29. PERSONNEL. Extension of remarks of Rep. Halpern expressing his support of legislation to increase salaries of Federal employees. p. A4687

30. FAS. Extension of remarks of Rep. Natcher congratulating the Foreign Agricultural Service and stating that "the Department of Agriculture is to be commended upon the outstanding work being carried on" by this Service. p. A4689

31. FARM PRODUCTS. Sen. Fulbright commended and inserted an article, "Farm Product Processing: Some New Directions." pp. A4694-6

32. FARM LABOR. Rep. Rogers discussed a visit to Florida by the Senate Subcommittee on Migratory Labor which included field trips to farms and workers' camps, and inserted several articles in support of legislation to improve migratory worker housing. pp. A4709-10

33. FARM PROGRAM. Rep. Kyl inserted a constituent's letter which states that "we need a farm program to give the farmer cost of production plus a reasonable profit, whatever it is -- whether it be subsidy, crop controls, two-price system, or what have you." p. A4713

of our hearings held in 1959, the then administrator of the SBIC, Wendell Barnes, was asked by me how many SBIC's he thought there would be. As I recall, he said there would be, in his judgment, a couple of thousand; that the program would be comparable to the commercial banks, in its commencement, so far as availability to small business was concerned. He said that within the first year there would be about 300. Then he modified the figure and said about 200 of these institutions would be established. Now we are almost 2 years along the way, and there are only about 95. Obviously, we are not moving ahead in the way we ought to be moving. The goal of 200 of these companies to be licensed in the first year has not been reached after almost 2 years.

This legislation should provide a needed impetus to the small business investment program. It would be too much to hope that this legislation will meet all the needs of the program; but it is a very good beginning. As this new program is tested, there no doubt will be other needs for legislation.

I have consulted with members of the Senate Committee on Banking and Currency who would be conferees if the bill were to be sent to conference; and all of us are agreed that the Senate should agree to the House amendments.

Mr. President, before I move that the Senate concur in the House amendments, I should like to say that the distinguished majority leader is really the father of this legislation. He promoted it and urged its passage; and I am sure it would not have been passed if it had not been for his authorship of it, some years ago. In addition, he has urged me and others to do all we could to liberalize the existing legislation, so it would really be effective, and so that small business could take advantage of it.

Mr. JOHNSON of Texas. I thank the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I now move that the Senate concur in the amendments of the House of Representatives.

The PRESIDING OFFICER (Mr. McGEE in the chair). The question is on agreeing to the motion of the Senator from Wisconsin.

The motion was agreed to.

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1414, Senate bill 3074.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 3074) to provide for the participation of the United States in the International Developing Association.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. FULBRIGHT. Mr. President, I ask unanimous consent that further proceedings under the call be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FULBRIGHT. Mr. President, I rise to explain to the Senate the main provisions of S. 3074, the International Development Association bill, which I introduced by request on February 19, 1960. The bill authorizes the President to accept membership for the United States in the proposed association. This acceptance would be effected through signature of the Agreement containing the articles establishing the Association. The Agreement was approved and submitted last January by the Executive Directors of the International Bank to the 68 members of the Bank.

Before I say anything further about the bill and the proposed Association, I know Members will wish to join me in acknowledging and applauding the far-sighted initiative of the junior Senator from Oklahoma [Mr. MONRONEY], whose efforts did so much to stimulate creation of the Association. It should be emphasized that the proposed organization directly responds to the objectives listed in the Monroney resolution which was adopted by this body in July 1958. I would add that this outcome was due in large measure to Senator MONRONEY's perseverance in the fact of an initial administration position which, not untypically, seemed to shy away from creative thinking. However, I hasten to state that Secretary of the Treasury Anderson and Under Secretary of State Dillon soon became, and continue to be, convinced and ardent advocates of the Association idea. Their energetic work translated the idea into reality. As Senator MONRONEY himself has said, the credit must be shared. I nevertheless believe that we in this body have good reason to congratulate our colleague from Oklahoma, and perhaps to indulge in a little patting of our own backs for following his lead in this notable instance of congressional initiative.

There is much that could be said about S. 3074 and the proposed Association. But I am a great believer in the written word as contrasted with the wearisome oration. Members have before them a House document which contains the President's message urging favorable action, a special report of the National Advisory Council recommending U.S. membership in the Association, the report of the Executive Directors of the International Bank on the articles of agreement and, finally, the articles themselves. Much of this information is summarized in the report of the Committee on Foreign Relations on the bill. My colleagues also have at hand a print of the committee hearings on S. 3074. I shall, therefore, try to point out only the salient features of the Association.

Let me say first that the Association is designed to perform, on a multilateral

basis, roughly the same functions that our Development Loan Fund fulfills on a wholly national basis. This means that the Association will provide long-term loans with flexible repayment provisions to the underdeveloped countries and territories of the free world which are to be included in its membership. This also means that the Association will be able to finance projects of high developmental priority, whether or not a project is revenue-producing or directly productive. In other words, loans can be made for those basic facilities which in turn lead to remunerative projects that attract private and public capital on more standard banking terms.

Since many of my colleagues are concerned about the seeming proliferation of international economic agencies, I know they are pleased that the association will be so very closely affiliated with the international bank. The bank's officers and staff will also serve the association, which at least initially will not employ any personnel of its own. Insofar as bank member countries join the association, they will be represented by the same governors, alternate governors, and executive directors as in the bank. Indeed, it is as if the bank were opening a new window, or perhaps a new branch office. However—and this is most important—the association is to be a distinct entity, and its funds will be kept strictly separated from those of the bank.

Initial resources totaling \$1 billion will be subscribed to the association if all 68 bank members join. These subscriptions are generally determined on the basis of proportional shares of countries in the bank's capital stocks, and are to be paid in over a 5-year period. All 68 countries would pay 10 percent of their subscriptions in freely convertible currencies or gold: one-half of that sum in the first year of operations, and one-quarter of the remaining half in each of the 4 succeeding years. As for the remaining 90 percent of the subscriptions, the 17 wealthier members would each pay the full amount in gold or convertible currency in 5 equal annual installments. On the other hand, the 51 less developed countries would pay the 90-percent portion in installments of their national currencies, which could only be used for restricted local purposes without the members' consent.

While S. 3074 authorizes the full U.S. payment of \$320,290,000, this sum would be divided in accordance with the above schedule, and would require an appropriation in each of the 5 years of the association's initial subscription period. For fiscal year 1961 the appropriation would be \$73,666,700; for each of the next years, it would be \$61,655,825. Roughly on the basis of this contribution's size, the United States would have about 28 percent of the voting power in the association.

Because of the long-term nature of the association's projected lending operations, provision is made for a review of the adequacy of resources prior to the end of the initial 5-year period. Moreover, during that period countries may make voluntary increases in their subscriptions on an individual or general basis if authorized to do so by the asso-

ciation. But in no case would the United States be able to increase its subscription without the approval of Congress.

On the other hand, in keeping with one of the Monroney resolution's prime objectives, supplementary resources may be contributed by one association member in the currency of another member provided the latter agrees and negotiates terms with the association and the contributor. It is contemplated that the United States might devote to this purpose a portion of the local currencies accumulating in the future under title I of Public Law 480, the Agricultural Trade Development and Assistance Act of 1954. Such transfers of local currencies would not affect the Nation's voting power in the association. Each transfer would be recorded in a special certificate which would contain the terms worked out for the contribution.

Now I should like to turn to some of the larger policy considerations involved in Senate action on S. 3074.

I do not believe that I need to review the reasons why the underdeveloped countries need assistance or why the wealthier free-world nations should provide such assistance in their own interests. Not only President Eisenhower, President de Gaulle, and Prime Minister Macmillan, but also, and very significantly, Mr. Khrushchev, have agreed that this issue takes a high place among the most important and urgent ones facing today's world. However, if a well-reasoned summary of the issue is required, I can do no better service to my colleagues than to refer them to Paul Hoffman's recent publication, "One Hundred Countries—One and One-Quarter Billion People." One introductory paragraph of his study—dealing with the so-called revolution of rising expectations—struck me as particularly worthy of quoting, as follows:

There are powerful moral and political reasons why we should be concerned with this revolution. But there are business reasons as well. If the less developed countries receive additional foreign capital and increase local savings sufficient to lift their per capita incomes by only 1 percent more a year over the coming decade, they might well offer to the United States alone a market for an estimated \$14 billion of its exports in 1970. This would represent an increase of more than 100 percent over total U.S. exports to the same areas in 1958. And over the 10-year period, the total exports of all the developed countries to those areas, given this increased rate of economic activity, might be as much as \$320 billion. In the long view, these 100 underdeveloped countries are for the United States and for the developed nations generally a great new economic frontier.

Mr. President, during the session we in this Chamber have heard a great many words on the subject of international balance-of-payments deficits. My own opinion is that a good deal of heat but very little light have been generated in this discussion of an extraordinarily complex issue. However, at least two points have emerged clearly from the running debate. One, that our European allies have achieved a degree of economic strength which permits removal of protective measures created at a time when U.S. commercial dominance

was overwhelming. Two, that these other wealthier nations could and should accept a greater responsibility in our mutual effort to aid the development of the less fortunate countries of the free world.

On the first count, there is ample—if insufficiently applauded—evidence that the other industrialized nations have been responding to the economic realities and to our sentiments with praiseworthy energy. As Under Secretary Dillon said on May 12:

Our estimates indicate that Western European actions to remove discriminations last year increased our potential markets by roughly half a billion dollars a year. The momentum is being maintained and gives hope that by the end of this year, postwar discriminations against our exports will be virtually a thing of the past.

On the second count, the proposed Association is designed to provide exactly the instrument which would permit the industrialized nations to participate more fully in the common task of free world development. These nations together are scheduled to contribute approximately \$443 million in freely usable resources; this is about \$123 million more than the proposed U.S. subscription.

Now, I would not wish to leave any impression that certain of our allies are not already making very sizable amounts of capital available to the less-developed countries. On the contrary, France extended almost as much assistance as did the United States on a per capita basis during the 5 years from 1954 to 1959, and the United Kingdom contributed over \$1 billion in that period. British Commonwealth countries, such as Australia and Canada, and the Low Countries and Japan have also not been backward in this respect.

However, the efforts of our allies either have generally been directed toward their dependent and associated territories, or have taken the form of credits and hard loans. None of these countries has created a national organization, similar to our DLF, which would provide the long-term loans with flexible financing arrangements required so urgently by the underdeveloped areas. Nor has there been an international entity which could channel a flow of capital toward the fulfillment of such requirements. It is, therefore, of enormous importance that the developed free-world countries have accepted the idea that the Association should be set up to fill this gap and to encourage future contributions from them.

Mr. President, I believe the bill before us should be accepted as one responding to the clearly expressed sentiments of a majority of Senators. I would be content to stop here in my remarks. Unfortunately, it seems necessary to add a few more words in order to anticipate some possible queries or objections.

It may be argued in some quarters that, while helping establish the International Development Association, the United States simultaneously should be taking steps to reduce the level of assistance it unilaterally provides through the Development Loan Fund. I fear

this argument assumes that we are trying to use the Association for the purpose of shifting a burden to others. On the contrary, we are urging wealthier nations to accept in concert with us more responsibility for free-world development; we shall not achieve this goal by attempting to evade our own responsibility, which is also one of leadership. Certainly no one familiar with the problem would fail to point out that even the proposed Association will not satisfy the free world's capital requirements.

It may be argued that our voting power in the proposed Association will not correspond exactly with the size of our contribution—especially when only freely usable currencies are taken into consideration. The fact is that this arrangement, which equally applies to the other more developed members, is designed to encourage participation by the underdeveloped countries, to give them a greater stake in efficient management, and to impart a sense of worth, which is so important to proud new nations. Comparable arrangements were made for the International Bank in 1945, and they have worked extremely well.

Finally, it may be argued that there are risks: that we may not receive back every dollar loaned over the years ahead, that so-called soft currencies may not all soon become freely usable, and that some loan projects may not work out. Of course there are risks. But I would remind my colleagues that this country of ours was built up and it thrived on risk capital, largely provided by the London market; our astonishingly rapid expansion in the 19th century depended heavily on development financing from overseas. We must gladly accept a similar entrepreneurial role if our free enterprise system is to compete successfully with Communist methods, and if international markets are to be available to our exports in decades hence. The alternative of a completely self-sufficient America, uninterested in world developments, quite simply does not exist.

In closing, let me emphasize that all too often our foreign policy must be expressed in defensive terms. This is especially and properly true of our measures for military preparedness. It is in regard to the problems of the underdeveloped countries of the world that we and our allies can take the offensive and give a shining example of the worth of our system of freedom, one that we pray will prove contagious through the years ahead. Let us not shirk this opportunity and this duty. I urge approval of the bill before us as a vital contribution to this offensive.

Mr. MONRONEY. Mr. President, I urge the Senate to pass this bill which would permit the President to accept membership for the United States in the International Development Association. I deeply believe that it represents a constructive step toward world peace.

My colleagues in the Senate have been most generous in their statements about this new instrument and about my part in proposing it. I would be less than human if I did not feel great

personal pride and satisfaction that the International Development Association may soon become a reality, but I would be less than honest to accept sole or even primary credit for the articles of agreement before you today for approval.

Those of us who have devoted many years of our lives to service in the Congress know that projects of this importance and magnitude are never the work of a single man and that they can come into being only through the cooperation, help, and encouragement of a great many people in the Senate, the House of Representatives, the executive branch, and of many private citizens and organizations. This has certainly been the case with IDA. My original proposal would have remained just a proposal, except for the interest and understanding of the junior Senator from Arkansas [Mr. FULBRIGHT]. The distinguished chairman of the committee which has reported this bill to the Senate was chairman of its Committee on Banking and Currency in February of 1958 when I introduced Senate Resolution 264 calling for a study of the feasibility of such an organization. The junior Senator from Arkansas [Mr. FULBRIGHT] not only approved and supported hearings on the resolution before the Subcommittee on International Finance, of which I was then chairman, but his understanding and interest when the matter was being considered by the full committee were far more influential in that committee's decision than anything which I could have done. The same can be said for the senior Senator from Connecticut [Mr. BUSH]. No more effective endorsement of the proposed study could have been given than that of this Senator with wide personal experience in international financial problems. Many of the pitfalls in the development of the final committee recommendation could not have been avoided without the informal guidance and advice of the Honorable Eugene Black, the distinguished President of the International Bank for Reconstruction and Development. The careful statement of the objectives sought in the resolution and the means recommended for the study are the result of the skill of Under Secretary of State Douglas Dillon, and his willingness to give serious consideration to this proposal without any thought of partisanship. Finally, these articles of agreement could never have been negotiated except for the tireless and widespread persistence and enthusiasm of the Secretary of the Treasury, Mr. Robert Anderson, and the skill of those on the working level who devoted endless hours to discussion and negotiation with the other member nations of the World Bank.

First. These articles of agreement establish the International Development Association as an affiliate of the International Bank for Reconstruction and Development.

Second. They have provided that each member of the International Bank shall contribute to IDA in the same proportion as their contributions to the Bank and shall have the same voting rights as they have in the Bank.

Third. They provide for additional subscriptions, with the approval of the association, from an individual member, either in its own currency or currency of another member which it may hold.

Fourth. The articles provide that the association shall make loans for the economic development of its members to provide financing which is not available from private sources or the World Bank on terms which the recipient could meet.

Fifth. The articles permit the association to provide loans on terms that seem appropriate in view of the economic position and prospects of the area concerned, and permit it to accept repayment in the currency of the borrower.

Sixth. The association is made a separate entity, distinct from the Bank, but the articles provide that the president of the bank shall be ex officio president of the association.

The International Development Association would provide a new international source of loans for the economic development of underdeveloped areas. It is designed to provide loans on easier terms than those now available, to supplement the lending activities of the International Bank for Reconstruction and Development, commonly called the World Bank. It would satisfy a pressing need for development capital which cannot be provided by the International Bank.

There are two lending institutions of the United States which provide capital for economic development of underdeveloped countries. The Export-Import Bank makes loans primarily to finance exports of U.S. products. Its principal purpose is the encouragement of U.S. trade rather than the economic development of underdeveloped areas. It lends dollars and must receive dollars in repayment. It is therefore limited to loans for projects which will produce immediate earnings of hard currencies sufficient to insure repayment of the dollar loan.

Some time ago the executive branch of our Government and the Congress recognized the need for an institution through which the United States could make capital available to underdeveloped areas for projects which did not have the potential for immediate dollar earnings or which did not involve immediate U.S. exports and so which were not eligible for loans from the Export-Import Bank. This need led to the establishment of the Development Loan Fund, whose loans are repayable largely in the borrower's currency and thus place a much lighter burden on the balance of payments of the borrower than would loans from the Export-Import Bank or from private sources.

The present chairman of the Foreign Relations Committee [Mr. FULBRIGHT] rendered great service in writing those provisions into the law and creating the Development Loan Fund.

The Development Loan Fund has provided loans which could be used to supplement those of the Export-Import Bank and has made it possible for use to assist our friends in developing their resources and their economic potential to a much greater extent. Lately, however,

there has been a growing recognition of the fact that the economic development of a good part of the world should not be the sole responsibility of the United States and is beyond the economic capacity of the United States acting alone. I do not mean to suggest that other nations have not given assistance to underdeveloped areas, because they have. But most of this activity has been confined to members of their own commonwealths or former colonies. The International Development Association represents an effort to meet the needs of underdeveloped countries through an institution in which all nations will contribute to the capital in proportion to their ability to do so.

There is also a growing feeling in the Congress that our purposes are accomplished more effectively through an international institution. On today's economic frontiers the economic significance of the United States aid dollar has been obscured by its political symbolism. New independence is independence of the most hypersensitive variety. Acceptance of unilateral foreign aid has been represented by extremist political groups within the underdeveloped countries as implying a political commitment to support every position taken by the United States in its cold war with the Soviet Union. Such representations are false, but in the midst of misleading propaganda, these commitments are often taken as a betrayal of the aspirations for independence of action common to these newly independent states. Thus that which is an economic necessity has become a political liability.

The other side of the same coin has been equally difficult. Unfriendly countries charge that our aid imposes an unacceptable obligation on the recipient, but on the other hand, the recipients of our aid sometimes tend to assume that the obligation is on the giver—that political support in the cold war entitles them as a matter of vested right to share in the bounty of our foreign aid program. The whole relationship militates against the easy friends of sovereign states.

The next development was, of course, inevitable—a competitive Soviet aid program, with the more cynical uncommitted countries happily encouraging the bidding. In other words, they have pitted the West against the East in bargaining for aid at special prices, on special terms, or for special commitments. The danger here is that a competitive situation will develop, in which aid will become merely a football in the power struggle between the East and the West.

The practical alternative is an international effort at economic development, but here our present institutions are not adequate. Just as the Export-Import Bank is not the complete answer to U.S. efforts in this field, so the International Bank for Reconstruction and Development, the so-called World Bank, is not a complete answer in the international field. The World Bank has made tremendous contributions to the economic development of its members, but it, too, is limited to loans for projects which will produce immediate foreign exchange earnings. The World Bank now finances its operations almost entirely

by the private sale of its bonds in the capital markets of the world. Accordingly, because it must sell its bonds to the public, its loans must carry rates of interest and terms of repayment which insure that the Bank's own interest and administrative costs will be met. Many worthwhile projects which can only be carried out if foreign capital is made available, will not produce sufficient earnings in foreign currency soon enough to permit the World Bank to provide all the capital needed. The International Development Association would provide a source of supplementary loans to take up the slack between the funds needed and the amount of the loan which could be made by the World Bank. I cannot emphasize too strongly that there is no source of such supplementary financing today on any large scale except unilateral U.S. loans from the Development Loan Fund.

Another important aspect of the International Development Association is that it could make more efficient use of nonconvertible local currencies in economic development. We have had enough experience now to know that often the goods and services which are needed by an underdeveloped country can be obtained other than from the United States or England or West Germany. To the extent that they can, they can be paid for in currencies other than dollars, pounds or marks. Certainly an international institution staffed by experts from every country of the free world would be more likely to find alternative sources of goods and services which could be purchased with currencies that are not generally convertible.

It is for this reason that the articles of the International Development Association provide that the currency of one member may be made available to the Association for lending to another member. The United States has sold agricultural commodities through Public Law 480 in the amount of \$4,159 million. Of this amount, only \$3,305 million has been allocated by the Bureau of the Budget for uses specified in the statute. More than half of this represents loans back to the foreign government to which the commodities were sold. The fact that we have failed to find a use for a billion dollars of this currency indicates how difficult it is for the United States to usefully dispose of the tremendous quantity of such currency which we are earning through sales of agricultural products. Surplus currencies from this and other sources could be made available to the International Development Association for lending under arrangements by which we would receive a portion of the income from the loans.

Because I originally proposed IDA, I can perhaps appreciate better than any other Member of the Senate the impressive accomplishment which is represented by the articles of agreement which the President now seeks authority to accept.

Mr. GORE. Mr. President, will the Senator yield?

Mr. MONRONEY. I am happy to yield.

Mr. GORE. The accomplishment which we are today considering is in large part attributable to the initiative, the energy, the statesmanship of the junior Senator from Oklahoma. It represents an exercise of legislative leadership which we see all too seldom.

As the executive branch of the Government has mushroomed in a myriad of changes, and the Presidency has become institutionalized, the Congress continues to operate with Jefferson's Manual.

Because of these reasons and others, the legislative branch has not kept pace with the executive branch of our Government. For these reasons, legislative leadership, legislative origin of great programs and noble ideas have become increasingly difficult. The junior Senator from Oklahoma, however, with unusual prescience, with unusual sensitivity to the problems of our times, and with his unusual knowledge of economic conditions, both at home and worldwide, has stridden over this disparity and has initiated a program of great vision, which promises great good both to the people of the United States and to the world community.

I congratulate him. I realize a vicarious enjoyment from his accomplishment. I have watched his career since we stood together, in January 1939, to take the oath of office in the other body. His career has been one of great public service. I congratulate him.

Mr. MONRONEY. I thank the distinguished Senator for his praise, which I feel I certainly do not deserve. It was at a meeting of the Interparliamentary Union in 1956, in Thailand, where the distinguished junior Senator from Tennessee and the junior Senator from Oklahoma first had a chance to observe the preference for international financing, rather than unilateral financing or gifts through foreign aid programs, on the part of the underdeveloped areas in southeast Asia.

The distinguished junior Senator from Tennessee is too modest to mention the long hours we spent with officials of southeast Asian countries, who pointed with such great pride to the fact that they were able, because of their own credit, to secure a loan from the World Bank for an irrigation project, which increased substantially the rate of production of rice in that country.

The junior Senator from Tennessee will remember their pride in the fact that their credit and engineering and determination resulted in the project being built. Their attitude suggested that an international financing operation was preferable in many ways to financing by unilateral gifts such as our foreign aid program.

The distinguished junior Senator from Tennessee will remember the members of the Thai Government telling us how greatly they appreciated this small internationally financed irrigation project, and their less enthusiastic feeling about the project for the building of a military road—a very necessary road, I may say—from Bangkok up to the border of Laos, which would help join those two countries. Since the road project was completely donated under our defense sup-

port agreement, they were almost ashamed of it, and they could not even get the emperor of their country to go up there to dedicate the road.

That is what we saw with our own eyes as members of the American delegation to the Interparliamentary Union visiting Southeast Asia. These people who wished not to be mendicants, not to be given gratuities, but who wished to be given an opportunity to finance, on their own credit, an economically desirable project which would help them to help themselves in their development.

I appreciate more deeply than I can say the cooperation which has been given to me by the distinguished Senator from Tennessee, and by all Members of the Senate, and I also appreciate the fact that the Senate itself has shown a desire to resume its rightful role in creating legislation rather than being content to rubberstamp ideas which originate in the executive department. What is proposed now certainly is a project of the U.S. Senate and the result of careful consideration by leaders on both sides of the aisle.

I am convinced that this institution will meet the objectives set out by the Senate in the 85th Congress in Resolution 264. In the long months of negotiation and compromise, during which it was necessary to accommodate the views of other free nations, the U.S. negotiators have sacrificed none of the basic objectives which I sought and which I believe the Senate sought in recommending the original study of such an institution.

The last recommendation of Senate Resolution 264 was that the association serve the objective of insuring that funds for international economic development be made available by a process which would encourage multilateral contributions for this purpose. The fact that the articles of agreement accomplish this objective in a substantial way is the most important aspect of this association. In authorizing the United States to join the International Development Association, the Congress will be encouraging other free nations, many of whom we have helped in times of financial need, to make their contribution now to the needs of others, a contribution made possible by their own recovery and economic development.

The International Development Association as proposed in the articles of agreement would have resources of \$1 billion, of which \$787 million would be in gold or convertible currencies and the remaining \$213 million in other currencies, use of which might be restricted. This amount would not be available immediately, but would be paid in over a period of 5 years so that the initial resources of the Association would be even more limited. There is no question that the size of the fund proposed is completely inadequate in terms of the needs of the underdeveloped countries for additional capital from abroad to supplement their own meager resources. I had hoped that agreement could be reached for a greater amount of capital and for its payment into the Association much more quickly. However, those who have handled the long and difficult negotiations

tell me that this was simply impossible to achieve because of the limited resources of many of the nations whose participation was far more important for the principle it established than because of the amount of their contribution.

While IDA will thus start on a modest basis, I believe that it is terribly important that the start be made. The articles provide for a periodic review of the resources of the Association and also for the contribution of additional resources from individual members in their own currency or in the currency of another member. This should certainly insure that if IDA works well and makes the contribution which I believe it can make to economic development, the funds available to it can be substantially increased in the future. There is also considerable good sense in beginning on a more limited basis to gain the necessary experience as to the proper relation between the resources needed for loans by the Bank and the resources needed for supplementary loans by IDA.

It was decided, I believe wisely, that the subscriptions to the International Development Association should be in the same proportion as those to the World Bank, with each nation having the same voting rights in determining the policies of the Association which it now has with respect to the Bank. This decision avoided the prolonged and difficult renegotiation of the share of the burden to be borne by each member. However, one of the most significant developments during the negotiations was the recommendation by a number of members that provisions be made for additional subscriptions at the request of any member. What more encouraging evidence could there be of the widespread need and support for this multilateral effort to help underdeveloped areas than this expression of the willingness of these nations to contribute more than the minimum required?

As we consider whether to authorize the President to accept membership for the United States in the International Development Association, we bear a very heavy burden of responsibility. In every corner of the world we see evidence of what Adlai Stevenson has called the "revolution of rising expectations." People who have known only hunger are demanding food, who have known only disease are demanding medical care, who have known only degradation are demanding dignity. America is the chief fountainhead of these aspirations. We have set the pace. We built a world of plenty in a free society. We have no greater obligation now than to take the lead in fashioning and supporting the means through which the hopes of suffering people may be realized.

The purpose of the International Development Association in all of this is quite simple. It is to lay another economic foundation of mutual help, shared responsibility, common purpose, on which can be built an edifice of economic abundance for all mankind. The Articles of Agreement of the International Development Association are more than the dry charter for a complex financial

institution. These articles are a declaration that free people everywhere share a common obligation to help their less fortunate brothers achieve dignity and a decent way of life. There is nothing new in this to Americans. In mutual help and self-respect we cleared our wilderness, tilled our fields, raised our barns, built our cities; and nothing is more fitting than that this new proposal that freemen unite to help their neighbors should be American in origin.

In closing I would say to the Senate as I did to its Committee on Foreign Relations:

The International Development Association was proposed in the conviction that the economic growth of less-developed nations is not the sole responsibility of the United States, but the mutual responsibility of all free nations to the extent of their capability to contribute to that development; that such mutuality of effort, such sharing of a common burden, can only be achieved through an international financial institution; that existing institutions are not sufficiently flexible to meet the world's pressing needs. It was conceived in a spirit of optimism and responsible generosity.

Joined in this conviction, administered in this spirit, I sincerely believe that it will contribute to a world in which man is at peace with his neighbor and his conscience.

Mr. JAVITS. Mr. President, will the Senator from Oklahoma yield?

Mr. MONRONEY. I am happy to yield to the distinguished Senator from New York, who has been so greatly interested from the start in helping to organize and perfect the institution which we are considering today.

Mr. JAVITS. First, I should like to identify myself with the Senator from Oklahoma [Mr. MONRONEY], the Senator from Arkansas [Mr. FULBRIGHT], and other Senators, regardless of party, who have supported the International Development Association, an organization which will prove to be a real milestone in our efforts to give the less developed areas of the free world an acceptable opportunity for economic progress, as well as to keep them enrolled with us in the world of the free.

I believe the Senator probably will agree that what we are doing is still not adequate to the occasion, but it will certainly help, and will enable many of these nations to realize the aspirations they had in connection with what we could not go along with in the United Nations, that which was called SUNFED—the Special United Nations Fund for Economic Development.

We promised at the time that we would do something constructive, and I think the present proposal certainly shows that the United States is keeping its word. Consistent with this policy, in the NATO Parliamentarians' Conference, with which I have the honor to be closely identified, and in which we are working with the Department of State, especially with Under Secretary Douglas Dillon, we will continue, of course, to endeavor to get the maximum effort from the other free world industrial nations in order to buttress the aid program.

In aid of the movement the Senator from Oklahoma [Mr. MONRONEY] and the Senator from Arkansas [Mr. FUL-

BRIGHT] have been leading, a question arose as to whether there might be an effort to include some provision in the pending measure, a provision similar to the one we recently added to the Mutual Security Act; I refer to the provision about the hampering of the shipment of free world ships and cargoes through the Suez Canal.

I am very glad to state to the Senator from Oklahoma that as matters now appear, we have every reason to depend upon the fact that that subject is happily removed from our consideration, it having been satisfactorily disposed of by agreement between Representative MULTER, of New York, who was carrying the ball in the House, and the Secretary of the Treasury. Indeed, I understand the Committee on Banking and Currency in the other body today reported the bill without amendment. Of course, it will be up to Representative MULTER and the Secretary of the Treasury to develop whatever details need to be developed on this subject. However, I am now satisfied, and so wish to inform Senators, that the subject will not figure in the bill and in the ratifying resolution which is before the Senate, and also to state that I myself am indebted to my colleague from New York [Mr. KEATING] and to the distinguished Senator from Pennsylvania [Mr. SCOTT], who interested themselves very much in bringing about this result.

Mr. MONRONEY. I am well aware of the Senator's excellent and successful efforts to cooperate in proposing a bill which would not require renegotiation, as opposed to a bill which might not result in passage at this session, or perhaps ever.

The distinguished senior Senator from New York [Mr. JAVITS], the distinguished junior Senator from New York [Mr. KEATING], the distinguished junior Senator from Pennsylvania [Mr. SCOTT], and several other Senators have worked in an effort to resolve the questions which arose in their minds concerning the bill before the Senate today. The overwhelming endorsement of the bill by the House Committee on Banking and Currency, only this morning, bears proof of the effectiveness of their work.

Mr. JAVITS. I would not for a moment wish to take away from the real achievement of Representative MULTER. I hope he will get full credit for what he has done.

Mr. MONRONEY. Indeed, he deserves credit, as does Chairman SPENCE.

Mr. JAVITS. He has been the architect of this achievement in his negotiations with the Secretary of the Treasury.

Certainly we now have every right to expect the present policy of law, under our declaration of the sense of the Senate in connection with the mutual security program, to be applied to every action of the U.S. Government in these fields.

I should like to close by stating that this must be a very happy day for my colleague the Senator from Oklahoma, inasmuch as he really pioneered this idea quite a long time ago, and now he is seeing it come to fruition. In addition, he pioneered the idea of employing the

technique of putting this agency under the World Bank, for administration. That is a most interesting technique; and, indeed, it may be greatly extended, so as to include our country-aid programs, because administration by the World Bank has been extremely successful.

Mr. MONRONEY. It has, indeed.

Mr. JAVITS. In speaking of the great contributions made by Representative MULTER, of New York, my colleague the Senator from New York [Mr. KEATING] has called to my attention the fact that Representative HALPERN, of New York, and Representative MULTER are jointly entitled to the primary credit, it seems to us, for working out this matter in a way that is satisfactory to all of us, and in a way which leaves unimpaired the bill introduced by the Senator from Oklahoma. I am indebted to my colleague for calling to my attention the joint contributions made by Representative MULTER and Representative HALPERN.

Mr. MONRONEY. Mr. President, I am deeply appreciative of the remarks the Senator from New York has made, and particularly for his giving credit to Representative MULTER and Representative HALPERN for their work in this connection, because without their cooperation we would not have the chance for success that we have today.

The PRESIDING OFFICER. (Mr. BYRD of West Virginia in the chair). The bill is open to amendment.

Mr. MONRONEY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MONRONEY. Mr. President, I ask unanimous consent that further proceedings under the call be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I am going to suggest that on page 3, line 4, the words "or other financing", and on page 3, lines 6 and 7, the words "or provide other financing" be stricken from the bill.

The PRESIDING OFFICER. Does the Senator offer that suggestion as an amendment?

Mr. WILLIAMS of Delaware. I shall do so.

The PRESIDING OFFICER. Will the Senator from Delaware repeat the amendment?

Mr. WILLIAMS of Delaware. I shall submit an amendment later to strike out, on page 3, line 4, the words "or other financing", and on page 3, lines 6 and 7, the words "or provide other financing."

That part of the bill would then read: "except that loans may be provided to the Association by a United States agency created pursuant to an Act of Congress which is authorized by law to make loans to international organizations."

Mr. BUSH. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. BUSH. I call the Senator's attention to lines 2 and 3 on page 3, which

read: "or (c) make a loan or provide other financing to the Association."

Does not the Senator mean also to exclude the language "or provide other financing", or does he wish to leave that language in?

Mr. WILLIAMS of Delaware. Yes. That language should also be stricken. I thank the Senator for calling it to my attention. I would also strike out on page 3, line 3, the words "or provide other financing."

Mr. President, the adoption of this amendment—which will be submitted later—would merely leave the bill so it would carry out in its entirety the recommendations of the President to the Congress as they were originally sent to Congress. It would also carry out the full provisions of the international agreement which was the basis of the request for this legislation when submitted to the Foreign Relations Committee.

The agreement which was submitted to the committee and for which we are now seeking to enact enabling legislation provides for participation of the U.S. Government in this international lending agency on the basis that we shall be contributing approximately 32 percent, or \$320 million in hard currencies out of a total of \$1 billion capital. The rest will be put into the fund, in proportion, by the respective countries. About 76 percent of the money will be hard currencies, while the remainder of the countries will put into the fund soft currencies.

In return for the capital which is to be provided by each of the contributing countries they will get a stated number of votes. For instance, each country will get a block of 500 votes to start with plus one additional vote for each \$5,000 capital being paid in. Mathematically, that would mean that if those countries subscribed their proportion of the capital in its entirety the United States would be putting in \$320 million, or 32 percent, and we would have approximately 27 percent of the voting power of the corporation.

However, in addition to this paid-in capital for which we will receive this voting stock, it is proposed under this bill that we confer on an agency of the Government the right to turn over to this international lending agency all or any part of the foreign currencies which are now or which may at some future date be in their possession. Today, we have between \$1½ to \$2 billion in these international currencies. That is a wide range in an estimate, but that is the kind of estimate we get when we ask the different agencies how much we have in foreign currencies. It only shows how little attention is paid to the importance of maintaining an accurate accounting or inventory as to what we have in these soft currencies.

In participating in an international lending agency under an international agreement to which all the participating countries have agreed and under which agreement we are supposed to put up 32 percent, or \$320 million, there is no reason why we should put up an additional billion or billion and a half dollars in return for which we get no extra voting power. Furthermore, that amount can

be transferred as an outright gift to this agency. The bill before us, as reported by the committee, carries that authority.

I do not think any executive agency should ask for that much power. Such wide authority was not included in the request of the President to the Congress.

In defense of this bill here today Senators have spoken of the fact that they want the right to use some of these international currencies by lending them to this agency. I have no objection to this agency having full authority to borrow these soft currencies which we now own. There is nothing in the amendment which I am proposing which would restrict the right of this agency to borrow these foreign currencies. There is nothing that lays down a rule as to how much interest it should pay. But if we are going to put up additional money over and above our proportionate part of the capital, we who are supposed to take care of the American taxpayers have the responsibility to see to it that they have a note or additional stock to show for it. I think the very least we can require is that this agency should turn over to the Treasury a note showing the amount of money that has been borrowed.

There may be some who will claim that the language "other financing" is not meant to be an outright gift. However, I emphasize again that in the testimony before our committee it was admitted that this language would be interpreted as authorizing a gift if the administrators so decided.

The fact is that we are asked to confer the right to an agency without any further approval of Congress to give away \$1½ billion or \$2 billion of the American taxpayers' money. I think that is going just a little bit too far. I shall at the appropriate time offer the amendment to prohibit this extraordinary authority.

Mr. President, I believe the Senator from Connecticut wishes to speak.

Mr. BUSH. Mr. President, very seldom do I find myself at odds with the able Senator from Delaware on almost any question. I have the greatest respect for the Senator's attention to detail and for his knowledge of subject matters such as those with which we are now dealing. The Senator is an able member of the Committee on Foreign Relations. Therefore, with some hesitancy I feel I must differ with the Senator about this particular matter.

I will say, first, that I think the pending bill is a sound measure. The bill represents the implementation of Senate Resolution 264, which was reported July 12, 1958, and agreed to July 23, 1958. In that resolution, which was agreed to, it was stated:

In order to achieve greater international trade, development, and economic well-being, such study—

Which was proposed in the resolution—should include consideration of the following objectives:

I shall not read the first, but shall state the second, because it has a bearing on this point.

2. Facilitating, in connection with such loans, the use of local and other foreign

currencies, including those available to the United States through the sale of agricultural surpluses and through other programs.

The purpose was to find some use for the funds, for which it has been difficult to find any use. These funds, as the Senator estimates, amount to \$1½ billion to \$2 billion, in varying estimates. I do not know how much there really is, but the amount is so large that we have found very great difficulty in putting the funds to work in any way.

Mr. BUTLER. Mr. President, will the Senator yield?

Mr. BUSH. I yield for a question.

Mr. BUTLER. Is it implicit in the Senator's statement that these moneys can be given to the bank, rather than loaned?

Mr. BUSH. No. It is not.

Mr. BUTLER. Will the Senator answer another question?

Mr. BUSH. I will cover that point, if the Senator will bear with me. I will cover that point in my discussion.

Mr. BUTLER. I should like to ask the Senator another question. What is the meaning of the words "or provide other financing"?

Mr. BUSH. I will cover that subject, also.

The pending bill represents the implementation of the previous resolution, which was agreed to. Since the resolution was agreed to, a lot of work has been done on this matter, and agreements have been obtained among the 68 countries which are going to participate in the organization, which is to be a subsidiary of the World Bank and under the management of the World Bank. It is to be under the management of the Governor, the Vice Governor, and the Directors of the World Bank. It is going to be assured of good management, because the World Bank has proved over a period of years—over all of its life, in fact—that it has enjoyed good management. I believe it does today provide management which is the very best it could possibly have.

The purpose of the pending bill is to provide a use for idle funds which belong to the United States, which are locked up in foreign currencies in various countries in the world, most of which funds are generated by the exercise of Public Law 480. I will say parenthetically that I voted against the extension of Public Law 480, because I think the extension of that law will result in piling up more idle currencies abroad. That is a little aside from the point. We do have these idle currencies, and we have to deal with them.

One of the two main purposes of the pending bill is to put to use these idle funds in these various countries which are locked up in currencies which are not convertible into hard currencies, such as dollars, pounds sterling, or other hard currencies. We must find a use for these funds. The bill seeks to find a use for those currencies, a use which is in line with the foreign policy of the United States. I shall address myself to that point in a moment.

The second advantage of the bill is that it will save dollars. We will eventually put some \$320 million—hard currency

dollars—into the International Development Agency, when we become fully paid up. If we can use soft currencies for any legitimate purpose, rather than hard currencies, we should do so. If we can substitute soft currencies for hard currencies, it is to the advantage to the people of the United States that we do so. To the extent that we can use the soft currencies we save the hard currencies. Otherwise we might be tempted to—or we might need to—convert hard currencies into soft currencies. It is very easy to convert the currencies in that way, but it is very difficult to convert the soft currencies back into hard currencies. That is the reason we have \$1½ billion to \$2 billion of soft currencies, because we cannot convert the currencies back.

This process would enable the International Development Association to conserve its hard currencies, to the extent that it can draw upon the soft currencies which we have on deposit in various countries. These soft currencies, of course, can only be used with the consent of the parent country of the currency, so to speak, with the consent of the United States, and with the consent of the IDA itself. Therefore, the second main purpose of the bill is to conserve dollars. That is very much in our interest.

As pointed out, the United States will provide less than half of the hard currencies to be invested in the International Development Association. It will be less than half. This will be good, because finally we will be persuading other countries whose objectives are similar to ours in the free world to join us in the implementation of our foreign policy, by making loans for the development of less privileged countries. We are persuading these countries to come into a multilateral deal which will use their hard currencies, in many cases, to help implement a policy which we have been working on ever since World War II.

This is of a very great advantage to the United States, because it will help to implement our foreign policy.

There is also a fourth advantage of spreading the burden and the responsibility of helping these other countries to get on their feet, to develop their resources and to develop their economies, all of which promotes the foreign policy of the United States.

I wish next to come to grips with the Senator's amendment. The Senator wishes to confine the use of these soft currencies to loans, and wishes to eliminate from the bill the language "or provide other financing."

The question arises as to what "other financing" means. I have discussed this matter with the Treasury, and have thought over the language somewhat myself. I am satisfied what it means is that the United States may place these soft currencies on a certificate of deposit, so to speak. That is the nearest simile I can think of. The United States may take these currencies and put them on deposit with the International Development Association, under such terms and conditions as may be agreed to.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. BUSH. I will yield to the Senator in a moment.

This may be a term of 5 years, 10 years, 20 years, or an indefinite period subject to, let us say, withdrawal on notice. There is no restriction as to what kind of deposit arrangement can be made. There is a great deal of flexibility involved, which I think is a very important matter in connection with this.

In regard to the deposits, we shall not lose ownership of the money. The money belongs to the United States, and will remain in the possession of the United States, but we will simply put it to work in connection with the certificate of deposit, if we may call it that, purely for convenience.

I now yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. The Senator from Connecticut speaks of a certificate of deposit by which the transaction would be handled. Is it his understanding that under such certificate of deposit the United States could call for the repayment of the money loaned at any time it wished?

Mr. BUSH. I said in my remarks that I believe arrangements could be made under the bill for the money to put on deposit under any agreement which the United States was willing to make with the bank, with the International Development Association, and the country whose currency was involved.

Mr. AIKEN. Would the money be put on deposit on about the same basis on which the Cooley amendment money is now on deposit?

Mr. BUSH. The Senator will have to enlighten me as to the Cooley amendment money.

Mr. AIKEN. I mean by that a situation in which the bank has put on deposit with the branch of an American bank in a foreign country an amount of money which draws no interest to the United States, but can be lent for whatever rate of interest they can get for it until the money is required, and that rate of interest may run to 20 or 25 percent. It represents a tremendous windfall.

Mr. BUSH. The language of the bill does not restrict the United States in the matter of agreement concerning these deposits, but if the money were put out at no interest, I claim it would still be to our advantage to have it used, because it is useless elsewhere, and it would be replacing a currency convertible from hard currency. It would be conserving the hard currency for the International Development Association.

Mr. AIKEN. Does the Senator mean that the United States would deposit money without interest in a foreign country, and the branch bank in which it was deposited would lend it for an interest rate of 20 percent, and the United States would get absolutely nothing? Does not the Senator know that the United States has tried several times to get some interest on money which it has on deposit in foreign banks? I have a list of banks which are in that category, and I will probably insert it in the RECORD.

Mr. BUSH. Are they paying interest?

Mr. AIKEN. No; they cannot get any interest on the money. In some countries, as the Senator from Connecticut knows, they can lend that money for 20, 22, and 25 percent, and yet pay the United States nothing for the use of it.

Mr. BUSH. I am sorry to say that the Senator from Connecticut knows nothing of the kind.

Mr. AIKEN. Then I shall have to convince him with the figures.

Mr. BUSH. If the Senator from Vermont wishes to put the list to which he refers into the RECORD, that is his privilege.

Mr. AIKEN. Would the Senator still favor the bill if I could show him that money of the United States deposited in banks in foreign countries and drawing no interest to the United States, can be loaned by the bank to others for 12, 15, and 20 percent? Would the Senator then still favor the bill?

Mr. BUSH. Will the Senator kindly tell me what that question has to do with the bill?

Mr. AIKEN. A great deal, because this bill would do with a billion dollars what the Cooley amendment does with \$50 million. It would be 20 times as much.

Mr. BUSH. The Senator is talking about an entirely different matter, which is the deposit of U.S.-blocked funds in a bank in Greece or in some other countries, is he not? This would be on deposit with the International Development Association.

Mr. WILLIAMS of Delaware. It would be in the possession of the International Development Association, but actually it would be on deposit in the banks.

Mr. BUSH. It would be made available by the United States to the International Development Association.

Mr. WILLIAMS of Delaware. The deposit would be in the banks.

I should like to ask the Senator another question in reference to the subject which we discussed previously. Getting back to the original question, is it not possible under the language in which the bill is presently drafted that they could make gifts if they so desired?

Mr. BUSH. I would not think so. I consider that the language "loans or other financing" would not include gifts.

Mr. WILLIAMS of Delaware. Would the Senator agree to amend the bill so as to provide that under no circumstances gifts could be permitted? Would he go along with a restriction on gifts under the bill?

Mr. BUSH. I will put it this way to the Senator: I do not wish to see the bill amended, but I would like to see it made clear on the floor of the Senate in this debate that the intention is not to make gifts.

Mr. WILLIAMS of Delaware. I respect the intentions expressed by the Senator from Connecticut, but before the committee it was definitely pointed out that under the provisions of the bill, as drafted, gifts could be made if it were so desired. The only way such gifts could be stopped would be to change the language. I think if the Senator is opposed to gifts he will agree that

the bill should be amended to include such provision.

I wish to point out one further matter. One of the reasons we have an accumulation of currencies for which we have no use, as the Senator from Vermont [Mr. AIKEN] has pointed out, is that we have been charging prohibitive rates of interest through present U.S. agencies in lending this money to our so-called allies, which I think is an indefensible situation. We cannot defend the practice of U.S. lending agencies charging such prohibitive interest rates, particularly on soft currencies. For instance, why have we been charging the Government of Mexico and the people of Mexico 10 percent? Why have we been charging in other countries rates as high as 12 percent?

Mr. BUSH. The Senator has asked me why we are charging those rates.

Mr. WILLIAMS of Delaware. Yes.

Mr. BUSH. What is the going rate in Mexico?

Mr. WILLIAMS of Delaware. I do not know, but if we wish to help a country or its industries, we cannot do so by charging prohibitive rates of interest.

Mr. BUSH. I do not know how we would help a country if the going rate is 12 percent and if the United States competes with private lenders by charging 5 percent.

Mr. WILLIAMS of Delaware. We have loans in Mexico which carry rates of interest from 4 percent to 12 percent during the same years. Are we to be a Shylock who goes to the countries which are having hard luck and charges prohibitive rates of interest? We pass bills which give them money to help them through their difficulties, and then when we loan them money we charge them 10 or 12 percent. That process cannot be justified.

Are we operating in those countries to protect the moneylenders, or are we concerned with helping their people? If their banks are charging such prohibitive rates then they need some competition.

Mr. BUSH. It would surprise me if the agencies of our Government were charging improper interest rates or conducting themselves in any way that was not in tune or in sympathy with the government of the particular country to which the loan was made. I do not believe the Senator has made a point in that connection at all. It seems to me if we charge 10 percent in Mexico, the only explanation is that that is the going rate for money in Mexico when we make the loan. Does the Senator agree that is probably the case?

Mr. WILLIAMS of Delaware. No, I do not, because I do not think we can ever justify an interest rate of 10 or 12 percent. I am advised that in some South American countries our interest charges have been as high as 20 percent. Why? Assuming that we proceed to create this international agency shall we turn over to the agency as gifts foreign currencies which we now own and hope they will lend them on more lenient terms than we have been doing? Are we to turn them over under certificates without any claim to interest or repay-

ment but in effect make them just plain grants?

Even under loans we could turn them over to the international agency in return for which it may not have to pay us any interest. Does the Senator state that he would expect this international agency to go into Mexico, for instance, with the soft currency which we are turning over to it, relinquishing all claim and charging no interest, and then permit them to charge 10 percent for loans solely because it can get away with it? Would the Senator support that principle?

Mr. BUSH. I shall reply by asking the Senator from Delaware to suppose that the language in the bill should read: "except that loans or other financing, not including gifts, may be provided to the association"?

Mr. WILLIAMS of Delaware. What other type of financing is there besides loans? Gifts are what they want the Authority to make.

Mr. BUSH. Loans, certificates of deposit, and that type of financing. When one deposits money in a building and loan association what does he get? He gets a certificate of deposit.

Mr. WILLIAMS of Delaware. But under their charter can they accept certificates of deposit? I fail to see—

Mr. BUSH. I ask the Senator if the suggestion I made would meet his objection.

Mr. WILLIAMS of Delaware. If the Senator could show me the proposed language I think it would meet the objection I have. But I do not think he can show me how it can be done except by an amendment to the bill. We were told that the agency which we would create would be a lending agency and would not operate as a bank. It would not be accepting deposits. There is no procedure provided to accept deposits. In fact, the method provided is that the agency would in turn deposit its own money in the National City Bank or some other bank.

Mr. BUSH. They would take the currencies we would deposit on a certificate of deposit and redeposit them for safe keeping perhaps in some bank in the country where the currency was going to be used.

Mr. WILLIAMS of Delaware. As I pointed out, in Nationalist China we have spent hundreds of millions of dollars in helping the Nationalist Government in Formosa. Then on October 1, 1959, through the Export-Import Bank, the Nationalist Government negotiated a loan at 12 percent. Why such exorbitant rates?

Mr. BUSH. With what country?

Mr. WILLIAMS of Delaware. Nationalist China.

Mr. BUSH. What is the going rate?

Mr. WILLIAMS of Delaware. If the going rate is 12 percent, why should we not attempt to help bring it down? Am I to understand that the United States is going around loaning money in these countries and charging the last penny the traffic will bear? If that is the attitude of the Government then why are we giving away money?

Mr. BUSH. No, the attitude of the United States would be to cooperate with the local government and not to disrupt the economy or disrupt local enterprise, and not necessarily to compete with the banks in that country, but rather to cooperate with them.

Mr. BUTLER. Does the Senator think we should supply them with the capital with which they could compete with local banks? What is the difference? The Senator says we are not going to compete with them because that would upset the economy. But under the bill we take our money and give it to a U.S. branch bank which competes.

Mr. BUSH. My understanding is, if I may say in reply to the Senator, that we do not make loans in these countries where we have blocked currencies without the cooperation and agreement of the country involved.

Mr. BUTLER. I refer to page 2, line 22 of the bill, which reads, as the heading for section 5, "Certain Acts Not To Be Taken Without Authorization."

Then I read from section 5: "Unless Congress by law authorizes such action," such action shall not occur as listed under (a) and (b), and so forth in that paragraph.

Does the bill, thereby, provide authorization for the agency holding these funds to lend up to a billion and a half dollars or \$2 billion of these blocked currencies to this bank, or will the agency in question have to come back to Congress for specific authority.

Mr. BUSH. The section applies, except that lending financing may be provided to the Association or agency created pursuant to an act of Congress.

Mr. BUTLER. In other words, the Senator says it cannot be done, and then he says it can be done without Congress having anything to do with it. Why do we do that? Why do we fool ourselves?

Mr. BUSH. The whole purpose is to use these currencies.

Mr. BUTLER. We can use them.

Mr. BUSH. No; we cannot do that. We have not been able to do that. The Senator from Delaware has just said that we have a billion and a half to \$2 billion, to use his figures, that we have not been able as yet to use.

Mr. WILLIAMS of Delaware. We have had at least \$10 billion in the last 12 years, and we used all but about a billion and a half. I am not sure that anyone knows how we used it, but we got rid of it. I would certainly be interested to know just how it was all spent. Perhaps the Senator from Connecticut can tell us.

Mr. BUSH. The fact that we have a billion and a half to two billion dollars—I am using the Senator's own figures—in foreign currencies shows that we have not used that money.

Mr. SALTONSTALL. I should like to call this point to the attention of the Senator from Connecticut, the Senator from Delaware, and the Senator from Maryland. This seems to be the conclusive answer, and seems to support what the Senator from Connecticut has said.

I read from the articles of agreement of the International Development Asso-

ciation, contained in the special report of the National Advisory Council on the Proposed International Development Association. I read from section 2 of article III:

The Association may enter into arrangements, on such terms and conditions consistent with the provisions of this Agreement as may be agreed upon, to receive from any member, in addition to the amounts payable by such member on account of its initial or any additional subscription, supplementary resources in the currency of another member, provided that the Association shall not enter into any such arrangement unless the Association is satisfied that the member whose currency is involved agrees to the use of such currency as supplementary resources and to the terms and conditions governing such use.

That supplements what the Senator from Connecticut has said. I shall have something more to say about it, but do not wish to say it on the Senator's time. When the United States has some soft currency and enters into an agreement with Greece, for example, which uses drachmas, we can enter into such arrangement as we care to make and on such conditions as we care to make. If a modification is desirable to the effect that we do not want to make it as a gift, then that provision goes into that arrangement.

Mr. BUSH. Yes; it means that we must have the cooperation of the country involved, where that currency is needed.

Mr. WILLIAMS of Delaware. The Senator says that the cooperation of the country involved, and the international bank is needed. What that means in plain language is that when we are ready to give away some money we cannot give it away unless the country that is to receive it is agreeable and if the bank which will handle the gift agrees. Certainly they are going to agree. If the Senator does not believe that, he can offer some of his own money, and he will find that he can very soon get rid of it. We do not have to worry very much about getting that agreement, when the country involved is the recipient of a gift.

Mr. BUSH. I must reject the language "gift." I do not consider the words "or other financing" contemplates the giving away of money.

Mr. WILLIAMS of Delaware. Would the Senator be willing to provide for only loans or certificates of indebtedness, which is the same thing? By that I mean specifically to exclude gifts.

Mr. BUSH. I asked the Senator a question a short time ago. I do not believe he answered it. I asked him if he would accept an amendment to provide "except that loans or other financing, not including gifts, may be provided to the association." Would he accept it?

Mr. WILLIAMS of Delaware. I would.

Mr. BUSH. Then let us try to offer that amendment.

Mr. WILLIAMS of Delaware. Provided we have a clear understanding that these certificates of deposit would be just the same deposits in any other bank and would be paid as an obligation

prior to payments to the stockholders, but I believe the Senator will find—

Mr. BUSH. I will not try to write a certificate of deposit on the floor of the Senate.

Mr. WILLIAMS of Delaware. I would be satisfied with that amendment but I believe the Senator will find that the departments which are advocating this proposal will not go along with it in language other than what is being proposed in the bill as reported by the committee. They have insisted that they want language which will give them the right to make a gift or grant should they wish. They clearly stated that it was the intention to have language in the act under which they could make gifts, under agreements with the country involved, in an unrestricted manner—except at the liquidation of the corporation it may be agreed that we would have a claim.

Mr. BUSH. Then it is not a gift.

Mr. WILLIAMS of Delaware. When is it planned to liquidate the corporation?

Mr. BUSH. I am not planning to liquidate it. I want to start it. A great deal of money has been put into investments on that basis.

Mr. WILLIAMS of Delaware. Too much money has been put on that basis, but that does not make it right.

Mr. BUSH. I would not want to put this money on deposit subject to a prior claim. I want it to be used as a substitute for hard currency, so as to avoid converting hard currency into soft currency. That is the big advantage here.

Mr. SALTONSTALL. I should like to call to the attention of the Senator from Delaware the language in section 2, which I have read. The section further provides for paying back the money. We can get it back.

Mr. BUTLER. I should like to make this observation. I believe that things have come to a sorry pass when the Government of the United States has an asset of between a billion and a half and two billion dollars, and we admit on the floor of the Senate that the only way we can get rid of it is by giving it away or burning it up, as we did our little pigs some years ago. There must be some way of using that money other than in this manner.

Mr. BUSH. I would say to my good friend from Maryland that there is no intention of giving this money away. I do not know where the suggestion of a gift has come into this argument.

Mr. BUTLER. Is there any limitation in the bill as to the amount of these blocked currencies which can be utilized under the terms of the bill?

Mr. BUSH. I do not see any in the bill.

Mr. BUTLER. Does the Senator believe it prudent to turn over a billion or two billion dollars without having the agency come back to Congress.

Mr. BUSH. There are one or two Senators on the floor who are members of the committee, and they can probably go into great detail on it, certainly much better than I. I do not see any limitation in the bill.

Mr. BUTLER. Does not the Senator believe there should be a limitation?

Mr. BUSH. I would personally believe that we can find a use for all of the billion and a half or two billion dollars, if it will serve the purposes of this bill and do the work and, second, avoid the conversion of hard currencies into soft currencies.

Mr. BUTLER. I may be a little bit old-fashioned, but when I have an asset, I hang on to it, in the hope that it will grow and that someday I will get my money out of it.

Mr. BUSH. Suppose the Senator has an asset, and he does not know what to do with it.

Mr. BUTLER. Then I would put it into a safe deposit box and hope that it would grow. In this case the United States should use it for the benefit of our people.

Mr. BUSH. That is exactly what we are doing here.

Mr. KEATING. Mr. President, will the Senator from Connecticut yield?

Mr. BUSH. I yield.

Mr. KEATING. I was called away from the floor momentarily, so I did not have the opportunity to hear all that has been said. However, I believe the Senator from Connecticut may have covered this point in the suggestion he has made. I am interested in his interpretation of the words "provide other financing." I want to make a suggestion, which I suppose the Senator may have already made; namely, to add, after the word "financing," "excluding gifts or grants." This, I assume, is exactly what the Senator from Connecticut was suggesting.

Mr. BUSH. Exactly. I thank the Senator from New York for bringing out that point. I made that proposal to the Senator from Delaware [Mr. WILLIAMS] and asked him if he would accept it. My understanding is that he said he would. So I think it would be appropriate for us to insert the very words which the Senator has uttered—"excluding gifts."

Mr. KEATING. In other words, it is not the understanding of the Senator from Connecticut that the language contemplates grants or gifts of the soft currencies which we have in our possession. It is only loans or some other financial transaction, and it is contemplated that our Government at some time, under some circumstances, will get back what it has parted with.

Mr. BUSH. But we do not ever part with ownership, under the terms of the bill.

Mr. KEATING. We simply allow the use of the funds.

Mr. BUSH. That is correct; under such terms and conditions as can be agreed to.

The Senator from Vermont is smiling at me. I am delighted that he is.

Mr. KEATING. He often smiles, but one never knows why he is smiling.

Mr. AIKEN. I am merely smiling at the ingenuity of some of our investors in promoting legislation like the bill now before the Senate. I am wondering what they will do when the United States becomes a country of all investors and no producers.

This matter might be handled in the same manner as the Cooley amendment, which provides loans to countries, under which the money is received in the currency of the borrowing country and deposited in branch banks of American companies in those countries.

Mr. BUSH. Is that with reference to Public Law 480 funds?

Mr. AIKEN. Yes; a percentage of them. The funds remain on deposit on the average of 12 to 18 months, during which time the United States draws no interest. The bank pays no interest on the money. In the meantime, the branch bank has it on deposit and can make use of it. In the meantime, in some cases, the bank can get as high as 22 or 24 percent interest. The same procedure could be followed with respect to the other funds, because the local currency could be deposited in the branch bank in the foreign country until drawn on by the World Bank.

Not the whole \$31 million is used that way; \$2 million or \$3 million is held by disbursing offices of the U.S. Treasury. We might have \$500 million or \$1 billion lying idle in foreign banks, on which the United States draws no interest, but on which the banks could be making loans until the money was called for. That would be good banking business, I suppose. However, I am not opposed to the International Development Association.

Mr. BUSH. No.

Mr. AIKEN. I am opposed to the assumption on the part of the executive branch of the Government that they can do as they please with a billion dollars a year of foreign currencies without any further authorization by Congress.

Mr. BUTLER. That is correct.

Mr. AIKEN. They ought to come to Congress for an authorization to give away this money.

Mr. BUSH. I would observe that Congress cannot control the lending policy or the loans made by the Export-Import Bank or the Development Loan Fund. We delegate that authority.

Mr. AIKEN. Congress can withdraw that authority at any time.

Mr. BUSH. Of course, I presume we can withdraw from this organization if we want to make a world-shaking move.

Mr. AIKEN. I have no objection to IDA. I realize that it will save people from sustaining losses on loans in foreign countries. It will permit the World Bank to grant second mortgages or to bail themselves out. Perhaps they ought to be able to do that.

I merely say that the executive branch of the Government ought not to assume that they have the authority to do that without further authorization by Congress. I for one was active in having Public Law 480 passed. I feel certain that it never was the intent of Congress to give the executive branch any such broad powers as what some may suggest they have.

One thing more. It has been asked if there was any limitation on the amount which could be contributed to the International Development Association under the bill. There is no limitation. I will say, however, that the witnesses from the Government testified that they did not contemplate using

any of the money which is now on hand. That has all been allocated for one purpose or another, although I suppose it could be deallocated. In the future, they expected to use 10 percent of the funds from the sale of agricultural commodities overseas as a contribution to the International Development Association, but there is no restriction in the bill which provides for 10 percent.

Mr. BUSH. That is correct.

Mr. BUTLER. Mr. President, will the Senator from Connecticut yield for a moment?

Mr. BUSH. I desire to yield the floor, because the Senator from Massachusetts [Mr. SALSTONSTALL] wishes to speak. However, I yield to the Senator from Maryland.

Mr. BUTLER. I think it is a dangerous practice for Congress to let an agency under the exception in the bill give money to IDA.

Mr. BUSH. I do not believe that the establishment of this organization and our participation in it will place us in any different position respecting authority than when we give to the Development Loan Fund the authority to lend money which this organization makes available to it.

Mr. BUTLER. In this case, we say that Congress shall absolutely not do what the Senator says it can do in the exception on page 3 of the bill.

Mr. BUSH. My understanding of the purpose of the language is that it specifically permits the use of the bloc currencies, the nonconvertible currencies, the soft currencies, which we own.

Mr. BUTLER. The next bill may be for the purpose of using, specifically, the money in the hands of some other agency, and it will not be necessary for the agency to come to Congress for appropriations. There is no limitation on what can be given to the bank. I think it is a bad practice.

Mr. BUSH. The Senator from Maryland is certainly entitled to that view. However, I would say that if a constructive use could be found for the employment of the foreign currencies—for the enormous aggregation of foreign currencies we have secured as a result of Public Law 480—particularly that law, I believe—then we should find that use. The purpose of the bill is to find constructive uses for that currency, in line with Government policy.

Mr. AIKEN. Mr. President, will the Senator answer one question?

Mr. BUSH. I will try to.

Mr. AIKEN. It is a good question. I know the Senator from Connecticut is much more familiar with banking practices than I am, and is much better acquainted with Government officials than I am. Can he tell me why there is so much insistence on the right to give away this money, when we who are critical of that policy are perfectly willing to grant the right to lend the money at a rate they can fix, which could be as little as one-half of 1 percent?

Mr. BUSH. I am not aware of the fact that it is desired to give the money away. That is an assumption with which I do not agree.

Mr. AIKEN. I understand the Treasury is now insisting on retaining the

right to give the money away. I also understand that if that provision is eliminated, there will be no trouble in passing the bill.

Mr. BUSH. I do not know where the Senator from Vermont obtains that understanding. I do not have it.

Mr. AIKEN. I got it from the Senator from Delaware.

Mr. KEATING. Mr. President, will the Senator from Connecticut yield to me?

The PRESIDING OFFICER (Mr. TALMADGE in the chair). Does the Senator from Connecticut yield to the Senator from New York?

Mr. BUSH. I yield.

Mr. KEATING. We are here to legislate. Regardless of whatever may be the views of the executive branch, if we believe it best to limit these financial transactions to loans or other financing, exclusive of gifts or grants, certainly we should not be hogtied by the preference of the executive branch.

It seems to me that is a constructive middle ground which should satisfy the Senator from Connecticut, the Senator from Delaware, and other Senators who feel as they do.

Mr. BUSH. I thank the Senator from New York.

Mr. LAUSCHE. Mr. President, will the Senator from Connecticut yield to me?

Mr. BUSH. I yield.

Mr. LAUSCHE. I subscribe to the general idea of creating an international organization in which membership will be held by many nations, in order to perform, through the Development Loan Fund, the financing function which now is performed by the United States itself.

The provisions which have been proposed here, as regards new subscriptions of hard currency, require approval by the Congress. In that connection, I believe it is recognized that subscriptions of new capital, in the form of hard currency, should not be made under a general grant of authority in this initial bill, but that congressional approval should be obtained in each instance when a new subscription is to be made.

The proposal of the bill and the proposal of the articles of agreement is that supplementary subscriptions of soft currency will not need any new authorizations, but will be permitted under the provisions of the bill as it is now written.

I favor the general purpose of this International Development Association. However, in the committee, I found myself in difficulty when I tried to resolve this inconsistency: If it is proper to require additional congressional authority for new dollar subscriptions, why is it not likewise logical and sound to require that supplementary subscriptions in the form of soft currency must receive new authorization from the Congress?

Mr. BUSH. I shall answer the question as best I can; and I think there is an excellent answer to it, because it is a key question in connection with the subject under discussion.

Under this measure, the United States will subscribe \$320 million to constitute what I shall call the capital stock or capital fund of this bank—even though the

phrase "capital stock" is not used in the bill. The bill provides, in section 5, that—

Unless Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States, (a) subscribe to additional funds under article III, section 1, of the articles—

Article III is the one which deals with the capital fund—

(b) accept any amendment under article IX of the articles; or (c) make a loan or provide other financing to the Association, except that loans or other financing may be provided to the Association by a United States agency created pursuant to an Act of Congress which is authorized by law to make loans or provide other financing to international organizations.

To me, that provision simply means that, on the one hand, the United States will subscribe to the capital of this organization and to its constitution and bylaws, and that they cannot be changed without an act of Congress. But the organization will be a going concern, and it will be able to use more funds. It is to our advantage to have it use more funds, particularly idle funds for which no other profitable use can be found; and if the use of those funds implements the foreign policy of our country, then I believe it perfectly appropriate that a U.S. lending agency be authorized to place those funds on deposit with this bank—and, of course, I am still referring to it as a bank, although in the bill, it is called an association.

So the fact that our country subscribes to the stock will not foreclose our country from becoming a depositor, as well, if it seems to the interest of the United States to have our country become a depositor.

Does that answer the Senator's question?

Mr. LAUSCHE. Well, the Senator from Connecticut has made an effort to answer it. [Laughter.]

Mr. BUSH. I have done the best I can to answer it.

Mr. LAUSCHE. The United States will not become a depository when it makes a supplementary subscription in soft currency, will it?

Mr. BUSH. No subscription will be made.

Mr. LAUSCHE. A certificate of deposit will be obtained. Is that correct?

Mr. BUSH. Yes.

Mr. LAUSCHE. Our country will obtain a certificate that it has deposited or placed with this institution a certain amount of soft currency, will it?

Mr. BUSH. Yes.

Mr. LAUSCHE. There is a limitation on the authority to subscribe hard dollars to the initial capital; but there is no limitation on the authority of the various agencies of our Government to make such deposits of soft currency into the fund, and then to have them used by the fund in such manner as is prescribed at the time when the deposits are made.

My thought is that we should impose some limitation on the power to deposit such soft currency; there should not be an open-end authorization. But I do not believe that every time a subscription or a deposit of soft currency is made, a new request should be made of

the Congress. However, there should be some limitation on the amount which could be deposited.

Mr. BUSH. I would say the limitation will be self-imposed—if the Senator from Ohio will permit me to state the matter in that way—as regards the lending agencies, which will be presumed to use in the best interests of our country the authority here provided. Certainly they would not make deposits with the International Development Association unless they believed it clearly in the interests of our Nation to have the money used in that way. We trust the officials of these agencies to handle properly billions of dollars in connection with loans of funds. The Congress does not approve every loan that is made by either the Development Loan Fund or the Export-Import Bank. Congress depends on the good judgment of the officials of those organizations. Congress examines their annual reports; and if it finds that something wrong or something questionable has been done, an explanation is required, and so forth. But Congress reposes that trust in the officials of these lending agencies of the executive branch of the Government. So I do not think that by means of this measure we would do any more than we have done for years in connection with these lending organizations; and I am willing to place my trust in those who run them.

Mr. LAUSCHE. In the course of the hearings, I pursued a long line of questions in an effort to determine whether an expanded use might be made of these soft currencies, through depositing them with the International Development Association, as distinguished from their direct use by our established agencies. The answers given showed clearly that such use would be practically identical.

Mr. WILLIAMS of Delaware. That is correct.

Mr. LAUSCHE. If the use would be practically identical, why should not we ourselves use them, by means of our direct authorizations?

I realize that the International Development Association may be able to make some further use; so long as it has hard currency, it will be able to lend both hard currency and soft currency, in order to work out a project.

Mr. BUSH. Mr. President, the Senator from Ohio has very ably answered his own question, I believe; and I agree.

Mr. LAUSCHE. Mr. President, I am constantly amazed by the great knowledge the Senator from Connecticut has acquired in regard to this bill, even though he is not a member of the committee; and in making that statement, I mean no reflection—

Mr. BUSH. Well, Mr. President, I would remind the Senator from Ohio, if I need to do so, that when he was a member of the Banking and Currency Committee, I was one of the sponsors of the original resolution which preceded this measure. That resolution was reported on July 12, 1958. So this is not the first time I have heard of this measure.

Mr. LAUSCHE. Mr. President, I commend the Senator from Connecticut for the able presentation he is making.

Mr. BUSH. I thank the Senator from Ohio very much for his contributions to the debate.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Connecticut yield to me?

Mr. BUSH. I yield.

Mr. WILLIAMS of Delaware. The Senator has said he does not think the phrase "other financing," which we wish to have stricken from the bill, could under any circumstances embrace gifts. He suggested he would be willing to go along with an amendment which would specifically spell out that gifts could not be advanced. I might remind the Senator from Connecticut that that is all I am trying to accomplish. I just left the floor to confer with one of the representatives of the Treasury Department. He stated they were unalterably opposed to such a proposal and would insist upon retaining the language in the bill whereby, under their interpretation, they could make gifts or grants if they wished to do so. I state their position for the record even though I disagree with them.

The Senator from Connecticut and I are in complete agreement that gifts should not be made. Therefore, will the Senator from Connecticut go along with me and support an amendment spelling out the language as the Senator has suggested; namely, that the authority should not include any right to make gifts or grants?

Mr. BUSH. The words "excluding gifts" could be inserted. The Senator from New York suggested that language.

Mr. WILLIAMS of Delaware. I thought it was only fair to point out their position even though I think gifts and grants should be excluded. The Treasury Department and the State Department are opposed to the modification while I have suggested to restrict their right to make these gifts.

Mr. BUSH. Did he say why?

Mr. WILLIAMS of Delaware. Because it would stop them from making gifts if they wished to do so.

Mr. BUSH. If the Senator wishes to offer such an amendment, I will support it.

Mr. HICKENLOOPER. Mr. President, may I inquire who has the floor?

Mr. BUSH. I have the floor. Does the Senator want me to yield the floor?

Mr. HICKENLOOPER. I have an observation or two to make.

Mr. BUSH. I am glad to yield to the Senator.

Mr. HICKENLOOPER. The Senator from Massachusetts [Mr. SALTONSTALL] probably wants the floor in his own right. Will the Senator from Connecticut yield to me for a moment?

Mr. BUSH. I yield.

Mr. HICKENLOOPER. I think there is considerable validity in the argument which the Senator from Delaware has been making over the question of outright gifts, over which we would have no control once we turned these currencies over to the Development Fund. However, I wish to call attention—perhaps it was brought out some time during the debate—to the statement of Mr.

Upton as it appears at page 74 of the hearings, in which he said:

It is the present view of the administration that, if it transfers Public Law 480 currencies to the International Development Association under this provision—

This is the important part—

it would not require the International Development Association to return these currencies to the United States, except in the event of the liquidation of the International Development Association or the withdrawal of the United States from membership.

So I think it is fair to say, under that statement, that such grants would not be gifts in the full sense of the word.

Mr. BUSH. That is what I have contended.

Mr. HICKENLOOPER. There would be transfers of local currencies, which, so long as we stayed in the International Development Association, or unless the International Development Association were liquidated, would be usable for its purposes. That provision is not contained in the proposed law. It is a statement of policy made by Mr. Upton.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. HICKENLOOPER. Yes, if the Senator from Connecticut will yield.

Mr. BUSH. I should like to observe that I would be surprised if that statement would commit the United States to make deposits with the International Development Association only on those terms. It would seem to me the language of the bill is much broader than that, namely, that loans and also other financing can be made, and it does not specify what forms the other financing shall take.

Mr. HICKENLOOPER. The terms of the bill are clear, and I do not think the Record should be cloudy on this point. We discussed this question in the Foreign Relations Committee. There was considerable discussion of it. The Senator from Delaware was very much interested in it. The bill provides that "loans or other financing may be provided to the association by a U.S. agency created pursuant to an Act of Congress which is authorized by law to make loans or provide other financing to international organizations."

I think, clearly, that language provides that the agencies may make gifts. Leaving the language as it stands in the bill, I was under that impression; and I voted in committee to have the bill come to the floor. That was my understanding. However, there is a policy statement by Mr. Upton contained in the hearings which sets out the policy.

I take it as inherent in the bill that any agency referred to in the bill, or the administration which was handling these funds, would have full authority to impose terms and conditions upon the use of the money, which would include the return of the money, or a lien on the money, or a right to recover or recoup it in event of withdrawal by the United States from the organization, or in the event it was liquidated. However, that would be an administrative action at

that time, and could be changed by future administrative policy.

I do not think we ought to dodge the issue on that point. While one administrator or one executive at a particular time might impose those terms and conditions with respect to \$50 million of currencies that went into the fund, a succeeding executive or administrator might elect to make a gift of the \$50 million of currencies.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. BUSH. I yield, if the Senator from Iowa is through.

Mr. SALTONSTALL. I agree with what the Senator from Iowa has just said, and I would add one further suggestion. He has said that Mr. Upton's statement dealt with the liquidation of IDA or the withdrawal of the United States as a member. I should say we had not gone quite far enough if we are to follow article III of section 2 of the IDA agreement, because it provides that the Association may enter into arrangements, on such terms and conditions consistent with the provisions of this agreement, as may be agreed upon to obtain the soft currency. That would mean that the United States might, if it wanted to, enter upon a third way of getting the soft currency back, namely, by an agreement.

Mr. HICKENLOOPER. That understanding was inherent in what I said previously, to the effect that an administrator could impose terms and conditions upon an agreement which would include return upon liquidation or return to the United States upon our withdrawal from the Association. It could also impose terms and conditions with respect to repayment.

Mr. SALTONSTALL. That is correct.

Mr. BUSH. Exactly.

Mr. HICKENLOOPER. Whether one calls it a promissory note, or whatever else one wants to call it, the terms and conditions would be within the authority of the administrator.

The point I wish to make clear, however, is that while I myself am willing to support this measure, and did support it in committee, and I think it is all right, for a number of years I have favored a system of what one might call soft loans, rather than donations, as a basic principle. However, I wished to make clear that the point at issue is that outright gifts can be made under the proposed law; it is an administrative problem, and it is not inhibited in any way by the terms of the proposed statute.

Mr. BUSH. Will the Senator answer a question on the amendment suggested by the Senator from New York; namely, that the words "excluding gifts" be inserted after the words "or other financing," in order to make clear it is not the intention of Congress that this money shall be given away; in other words, to exclude gifts from the possibilities of "other financing."

Does the Senator care to answer that?

Mr. HICKENLOOPER. I would want to think about the question a minute.

Normally, I should like to get away from gifts.

Mr. LAUSCHE. Mr. President, may I answer the Senator?

Mr. HICKENLOOPER. If it is satisfactory with the Senator from Connecticut.

The PRESIDING OFFICER (Mr. TALMADGE in the chair). Does the Senator from Connecticut yield to the Senator from Ohio?

Mr. BUSH. I yield to the Senator from Ohio.

Mr. LAUSCHE. That would seem to be a solution, if we defined "gifts" in its ordinary, accepted meaning. The circumstances in one instance may not represent a gift, but the ultimate use of the money may be equivalent to a gift.

Mr. HICKENLOOPER. I will say, if the Senator from Connecticut will yield to me further, that so far as I am concerned I am perfectly willing to accept the provisions as set out in the statement of policy by Mr. Upton in the bill before us, which would mean that we still would have a lien on these currencies, although they might remain in the fund indefinitely. Upon withdrawal of the United States from membership, or in the event of liquidation of the International Development Association, those currencies would be the property of the United States and returnable to the United States. That would be highly satisfactory to me.

As to the question of a prohibition, cutting off any gifts of these currencies, as I say, I want to think about that question a bit. I think perhaps I would rather not do that.

Mr. BUSH. I will say to the Senator, while he is thinking about it, that I have been perfectly content to go along with this language the way the committee reported the bill. I am content. The Senator from Delaware [Mr. WILLIAMS] and other Senators are disturbed about the question of gifts. So far as I am concerned, I am willing to accept the proposed language, though I do not think it is necessary.

Mr. HICKENLOOPER. The Senator from Delaware wants some protection written into the proposed statute. I understand the Senator's feelings. Other Senators want protection in a statute. I do not quite take that position. I think the operations over the past several years indicate that we will not be unduly profligate with the money. After all, we can always pull up short on the bridle, if we think things are going too fast or if this organization is doing things it should not.

I am willing to accept the language with the policy statement.

I will say, so far as writing the language into the proposed statute is concerned, in this instance, without some further thinking on it, that I can see no particular harm in putting the policy statement into a statute, as the law.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Connecticut yield?

Mr. BUSH. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I thank the Senator from Iowa for his contribu-

tion, because I think it is important that we should clear up the point at issue, even though there can be a difference of opinion.

This all gets back to what I said at the beginning. Under the bill, gifts and grants could be made. As the Senator from Iowa pointed out, these currencies may return to us in the event of ultimate liquidation of the organization, but I wish to point out what Mr. Upton said. It is the present view of the administration that the administration would follow such a course; but that does not mean the procedure could not change tomorrow, or that another administration, as the Senator from Iowa pointed out, could not change it.

That is contained in the statement of Mr. Upton, as shown on page 75 of the hearings. He said:

If the United States, because of a change in the situation at some future time, wished to change the conditions on which it provided local currencies for lending by the International Development Association, it could propose different terms applicable to later transfers, subject to agreement with the International Development Association and the countries concerned.

In other words, even though an agreement is entered into now whereby the currencies will come back upon liquidation, at some subsequent time an agreement could be entered into to provide differently.

The point I make is that if we do not intend that the agencies should have the right to make outright grants or gifts of all or of any part of the \$1½ billion or \$2 billion we should so specify in the law.

The only way to do that is to adopt an amendment to the bill specifically prohibiting such gifts.

As a result of the colloquy and the interrogation by committee members during the hearings I think it was clearly understood that if the Congress enacts this bill as it is presently before us the Department will interpret it as being the intention of Congress that the Department has authority to make gifts or grants if at some future date it decides to do so. They were not evasive on that point. It was clear.

I appreciate the fact that the Senator from Connecticut is willing to go along with us in supporting this amendment. If this agency can be organized on a businesslike basis I will support the bill. I am not arguing against the principle of international cooperation with other countries in forming a lending agency. I agree with that principle. But if we are going to do it, let us do it upon a businesslike basis and in accordance with the terms of the international agreement wherein each country will pay into the fund its proportionate share. Our share would be about 32 percent, but let us not leave this question open, or we may end up spending an extra \$1½ billion or \$2 billion without anything to show for it.

The PRESIDING OFFICER. The bill is open to amendment.

Mr. WILLIAMS of Delaware. Mr. President, does the Senator from Massachusetts desire to speak?

Mr. SALTONSTALL. Mr. President, did the Senator offer his amendment?

Mr. KEATING. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. KEATING. We have before us only the language suggested by the Senator from Delaware?

The PRESIDING OFFICER. No amendment has been offered.

Mr. KEATING. In order to bring the question before us formally, I wish to offer a substitute.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. KEATING. I offer a substitute for the Senator's amendment.

The PRESIDING OFFICER. No amendment is pending.

Mr. SALTONSTALL. The Senator has not offered an amendment.

The PRESIDING OFFICER. The Chair is informed that no amendment is pending.

Mr. KEATING. There is no amendment pending?

The PRESIDING OFFICER. There is no amendment at the desk. The bill is open to amendment. If there is no amendment to be offered, the third reading of the bill is in order.

Mr. WILLIAMS of Delaware. Mr. President, if no Senator desires to speak, I suggest the absence of a quorum following which I will formally submit the amendment which we have been discussing.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Delaware will be stated.

The LEGISLATIVE CLERK. On page 3, line 3, after "financing", it is proposed to insert "(except gifts)"; in line 4, after "financing", to insert "(except gifts)"; and in line 7, after "financing", to insert "(except gifts)".

The PRESIDING OFFICER. The question is on the amendment of the Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, I think the Senator from Massachusetts [Mr. SALTONSTALL] wishes to speak—I hope in support of the amendment. Before he proceeds, I wish to point out that the adoption of the amendment would spell out in specific terms the fact that gifts or grants would not be provided under authority of this law, and if any gifts were contemplated later to the international agency, the administration would have to come first to the Congress and get our approval. The approval of this amendment would not prohibit our participation in the international agency on the basis suggested in the international agreements, but it should be clear the adoption of this amendment, would prohibit any gifts or

grants being given to this international agency now or at any future date.

Mr. SALTONSTALL. Mr. President, I oppose the amendment because, as a member of the Committee on Appropriations for a good many years, I have seen the difficulty involved in profitably making use of so-called soft money. I believe the bill provides a proper and helpful use for it.

I wish to make two points: First, the bill would save hard currency in cases in which it might be practicable to do so; second, three approvals are necessary in order to carry forward the proposed arrangement concerning soft currencies. First, it must have the approval of the United States; second, it must have the approval of the country whose currency is involved; third, it must have the approval of the authority itself. When those three approvals are obtained, and when the United States has made an agreement that it believes is in the best interests of our country and in the best interests of the country to which the loan is to be made, then we shall have something which will be helpful and something for which we have been working for years, instead of making grants or providing for the form in which the money shall come back to us when, as, and if we can get it back.

I believe the International Development Association's terms of agreement specifically cover this case, because they make possible for us to make such an arrangement as we believe is practical and helpful.

I hope the pending amendment will be rejected. We must have some confidence in the Secretary of the Treasury and the Treasury Department. I believe they intend to go into the program very slowly and carefully. If we find that the administration is abusing its discretion, we can enact legislation to restrict improper practices.

Furthermore, the same language provided in the bill is contained in the agreement and the legislation concerning the international American bank.

Mr. FULBRIGHT. Mr. President, on the pending amendment I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. FULBRIGHT. Mr. President, I am opposed to the amendment. It is wholly unnecessary. Secretary of the Treasury Anderson or his successor will not carelessly use the funds concerned.

I ask unanimous consent to insert at this point in the RECORD a statement prepared by me relative to section 5(c) of S. 3074.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR FULBRIGHT

First, a word of explanation about the clause in section 5(c) which this amendment proposes to delete. The "except" clause does not in itself expand the President's authority to utilize foreign currencies. Instead, it leaves the door open for him to employ, with respect to the proposed association, the powers granted him by other legislative provisions governing international financing activities, specifically, Public Law 480, 83d Congress.

In other words, this is a permissive clause. It is left to the President to determine whether a more effective use may be made of an underdeveloped country's local currency repayments through the association than through bilateral means. The administration's views on this subject are given in detail on pages 74 and 75 of the committee print of the hearings.

I believe it should be made clear that this amendment, if accepted, would greatly hamper and perhaps even preclude the contribution of local currencies by the United States to the Association. Each such contribution would involve a negotiated agreement between the United States, the country whose currency would be used, and the Association. Anyone familiar with our foreign policy operations does not need to be told about the difficulties of negotiating with foreign governments on the basis of having to seek subsequent congressional approval for even relatively minor transactions in local currencies. Indeed, the problems of timing, as well as the uncertainties of our legislative process, make such governments highly reluctant to enter into a contingent agreement unless they see their own interests directly and deeply engaged. Yet the benefits of the supplemental use of their currencies in the Association probably would only be fully shown over a considerable period of time. Due to internal political and social pressures, most underdeveloped countries find it difficult to justify to their impatient peoples the long-range view of economic progress.

I would like to point out that, in approving the Monroney resolution, the Senate has already accepted the objective of using our local currency accumulations in the Association.

In sum, I submit that a vote for this amendment is a vote against giving the President discretion to contribute local currencies to the Association.

Mr. FULBRIGHT. I also ask unanimous consent that the material submitted by Mr. Upton for the committee which appears on page 74 of the hearings be inserted at this point in the RECORD. I think it expresses the situation with sufficient clarity to make a proper legislative record as to the use the Treasury expects to make of the authority contained in the bill.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

Senate Resolution 264 (85th Cong., 2d sess.) suggested as one of the objectives of the International Development Association "facilitating, in connection with such loans, the use of local and other foreign currencies, including those available to the United States through the sale of agricultural surpluses and through other programs." This objective was kept in mind in the negotiation of the articles of agreement of the Association in the Executive Board of the International Bank, and, accordingly, article III, section 2(a) of the proposed articles provides for arrangements whereby one member may make available to the International Development Association supplementary resources in the currency of another member. The terms and conditions on which such resources may be made available are subject to agreement between the International Development Association and the United States, as the country providing the resources, and the transfer to the International Development Association is subject to the consent of the country whose currency is transferred.

It is the present view of the administration that, if it transfers Public Law 480 currencies to the International Development

Association under this provision, it would not require the International Development Association to return these currencies to the United States, except in the event of the liquidation of the International Development Association or the withdrawal of the United States from membership. The currencies thus initially provided by the United States to the International Development Association could be used for loans principally to the country whose currency is involved in a given case. Repayments of principal would accrue to the International Development Association, and be available for further loans. In this way the International Development Association would have a revolving fund of local currencies which it could use in its operations separately or in conjunction with loans of foreign exchange. Accordingly it will be possible to program such uses in advance, and it will eliminate renegotiation on the reuse of these local currency funds with the countries concerned. Continued availability of these local currency resources should make for more effective use of them in promoting economic development.

At the present time somewhat more than half the proceeds from the sale of goods under title I of Public Law 480 is returned in the form of loans or grants, principally loans, to the foreign country which purchased the agricultural surplus. It is from this portion of the future sales proceeds that it is expected that a moderate proportion may be agreed upon in future sales agreements for transfer to the International Development Association. These loans are now being made in local currencies and are being repaid in local currencies. Under existing arrangements the amounts of local currencies expected to accrue to the United States in some countries will be in excess of the amounts which can be used for U.S. Government purposes. The main use which can be made of interest and amortization payments received in these local currencies, when in excess, will be to make further loans of these currencies back to the country. Unless these currencies at some future time could be transferred into other currencies or used to meet U.S. requirements for these currencies, the United States would not, in any event, receive a dollar income from these reflows.

Generally speaking, it is our present view that similar considerations would apply to the payment of interest by the International Development Association as apply to the repayment of principal of local currencies supplied to it under these arrangements. The United States in transferring local currencies could agree with the International Development Association, however, on the disposition of net earnings on loans made with the currencies so supplied, in accordance with the articles of agreement.

It should be noted that each initial transfer of currency to the International Development Association will have to be negotiated. If the United States, because of a change in the situation at some future time wished to change the conditions on which it provided local currencies for lending by the International Development Association, it could propose different terms applicable to later transfers, subject to agreement with the International Development Association and the countries concerned.

Mr. HICKENLOOPER. Mr. President, I do not wish to delay action on the amendment. I will take only a moment. I shall vote against the amendment for several reasons:

First, we have a precedent for the actual making of gifts from Public Law 480 funds under the law already in existence; second, we have a policy statement by Mr. Upton stating the gen-

eral policy that the United States will retain eventual reversionary interest, at least in these funds; and third, I do not believe there will be an extravagant use of these funds by way of gifts into the Development Loan Fund.

I wish to make perfectly clear that in my view and in the view of the committee there will be constant surveillance of the use of these funds with respect to the Development Loan Fund, and that at any time it appears that unwarranted amounts of these currencies may be transferred to the Development Loan Fund, the committees of Congress can immediately call a halt to it. It has authority to stop the practices. But I do think the Development Loan Fund ought to be given a chance to operate. As I said a moment ago, it is a theory I have long supported.

The House has passed the bill, and I think we should get this operation going. I believe that to put these funds on a loan basis rather than a gift basis would fill a need which has been in existence in the international field for a long time.

Mr. AIKEN. Mr. President, I think the amendment offered by the Senator from Delaware [Mr. WILLIAMS] is a very sound amendment and ought to be adopted by the Senate. We who are critical of the claim of the executive branch that they have the right to use this foreign currency, which amounts to something over a billion dollars a year, in any way they see fit, have no objection at all to that money being loaned to the International Development Association. We simply ask that they be stopped from giving away funds amounting to a billion dollars a year to this international organization. We are already contributing \$320 million to this organization. I have no objection to the International Development Association as such. I do have objection to giving the executive branch of the Government authority to give away up to \$1 billion a year which will never return to this country.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. DWORSHAK. Will Congress have any control over the use of these local currencies?

Mr. AIKEN. After they are given away they will not.

In reply to the statement of the Senator from Iowa [Mr. HICKENLOOPER] that Congress also has the right to revoke whatever action is taken, I say that Congress will be able to revoke it only by a two-thirds vote, and that is not likely to happen. Once we decide to give the President, or whomever he designates, authority to give away \$1 billion a year in foreign currency, we shall not be able to revoke that action. I am sure of that. I believe in building up the developing countries, but there is always an escape clause in every one of these bills which permits the money to go to a country that is very well developed and has become one of our principal competitors. I should like to enact legislation that will assure that the money is going to build up develop-

ing countries in Asia and Africa and Latin America.

Last year Congress authorized, in gold, in dollars, and in guarantees and expenditures, approximately \$14 billion, to be spent in other countries. Included in that sum, of course, was \$3,400 million as the cost of maintaining our Armed Forces abroad. We guarantee the loans that are made to the World Bank. Only a few months ago they issued about \$500 million in bonds. Almost every dollar of that was picked up by investors in Western Europe at 5 percent. We guarantee that the bonds will be repaid when they become due.

We cannot go on indefinitely encouraging the exporting of industry and capital out of the United States. We are getting into a dangerous position. We have reached the point where some American industrialists have told me that they are in competition with themselves. They are going to Western Europe, day after day. I read only recently in the Wall Street Journal that about 150 American concerns had, within the last 2 or 3 months, established main offices in Switzerland, where they receive very good tax benefits. Western European countries today are offering special inducements to American industries to move over there. They get much better tax inducements over there than they get in this country.

They can export their products to other parts of the world at nowhere near the cost of exporting those industrial products from the United States to other parts of the world. We are losing our industry. We are losing capital. There are proposals before Congress now which put an incentive on never bringing that capital back to the United States, or the money earned by it. We cannot be too careful in this respect. I wish we would use our heads.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. DWORSHAK. I am in complete agreement with the Senator from Vermont. However, I wonder if we cannot be somewhat tolerant in considering possible support for this proposal. The Senator from Vermont knows that since the end of World War II we have channeled abroad about \$90 billion. We have completely disbursed our gold reserves. Perhaps all we have left now are these soft currencies. If we get rid of those, we will have nothing left.

Mr. AIKEN. If Senators will look at the news ticker just outside the door of the Chamber, they will find an item on the news ticker stating how much the sterling countries have increased their gold reserves during the last few months. I think it was by \$30 million or \$40 million. I do not believe our gold reserves have been increased. Instead, I believe they have gone down by several hundred million dollars in the last few years.

I am in favor of helping developing countries get developed, but I am not in favor of tearing down American industry. I am not in favor of exporting capital to other countries, even if they can get a 30-percent income return on the investments.

I have been in foreign countries where there is a great deal of American money and where borrowers in those countries pay 22-percent interest, and up. The proposed legislation, if I am not mistaken, would permit the United States to commit this fund, which may run up to a billion dollars a year, to IDA, and deposit those funds in banks in foreign countries, for the most part branches of American banks, where it will lie, with no interest being paid to this country, and then be loaned by these branch banks at very high rates of interest.

This is not even a subsidy. It is a handout. This is what this bill is without the pending amendment. I support the bill. I believe it will enable loans owned by banks or by the World Bank to be transferred, so that they will show no losses. I am not particularly against that. What I am against in the bill is the assumption of the legislative branch of the Government that they have the right to do as they please with \$1 billion or \$1½ billion of income from the sale of American farm commodities without getting further permission from Congress.

I believe I have spoken long enough. I have in my hand a list of the banks in various countries where these deposits are made. I assume the same banks would get these deposits. I will not put the list in the Record, as I told the Senator from Connecticut I might do, unless there is a demand for it, because I think that almost any bank that had an opportunity to do so would make the most of it, and there is no reason why we should pick out certain ones to be favored in that respect.

I hope that the amendment offered by the Senator from Delaware will be approved. I am not going to make my support of the whole proposal contingent upon it, but if we want to protect the U.S. taxpayers, particularly U.S. producers, to a reasonable extent, we must have some safeguards in the legislation. This is a very small safeguard. It merely provides that we shall not give away this money, but that we can lend it. We can lend the money at perhaps 1½ percent interest, but we cannot give the money away.

Mr. JAVITS. Mr. President, I should like to propound two parliamentary inquiries to the Chair.

The PRESIDING OFFICER (Mr. McGEE in the chair). The Senator will state them.

Mr. JAVITS. First, does the measure which is now before the Senate require a two-thirds vote for passage, as does a treaty?

The PRESIDING OFFICER. A majority vote is required on the passage.

Mr. JAVITS. Would any subsequent legislation relating to a part of the bill which is now sought to be amended require a two-thirds vote?

The PRESIDING OFFICER. Any legislation would require only a majority vote for passage.

Mr. AIKEN. I was referring to a two-thirds vote necessary to enact legislation over a Presidential veto. I would rather not have any President given this power in legislation of this type. It

would take a two-thirds vote of Congress to override a Presidential veto.

Mr. JAVITS. I thank my colleague. Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senator from New York may yield to me, with the understanding that he will not lose the floor.

The PRESIDING OFFICER. Without objection it is so ordered.

Mr. JOHNSON of Texas. I should like to inquire whether Senators are prepared to vote this evening, or whether they have additional statements to make.

Mr. JAVITS. I shall speak for not more than 5 or 6 minutes.

SCHOOL CONSTRUCTION ASSISTANCE ACT OF 1960

Mr. HILL. Mr. President, will the Senator from New York yield to me, with the understanding that he will not lose his right to the floor?

Mr. JAVITS. I yield.

Mr. HILL. Mr. President, I ask unanimous consent to take from the table H.R. 10128, to strike out everything after the enacting clause, and to insert in lieu thereof the text of Senate bill 8; further, that the Senate ask for a conference on the bill with the House, and that the Chair appoint the conferees on the part of the Senate.

Mr. JAVITS. Mr. President, reserving the right to object, may I know from the Senator from Alabama what his ideas are with respect to conferees?

Mr. HILL. My ideas are that the Senate will follow the usual procedure, by appointing, in this case, Senators who are members of the Subcommittee on Education of the Committee on Labor and Public Welfare, and that the Senator from New York would be one of the conferees.

Mr. JAVITS. I have no objection.

The PRESIDING OFFICER. The clerk will state the bill by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 10128) to authorize Federal financial assistance to the States to be used for constructing school facilities.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. HILL. My further request is that the bill be amended by striking out all after the enacting clause and inserting in lieu thereof the text of Senate bill 8, which is the bill the Senate has already passed.

The PRESIDING OFFICER. Without objection, the amendment will be printed in the RECORD at this point.

The amendment, in the nature of a substitute, ordered to be printed in the RECORD, is as follows:

SHORT TITLE

SECTION 1. This Act may be cited as the "School Construction Assistance Act of 1959".

DEFINITIONS

SEC. 2. For purposes of this Act—

(1) The term "Commissioner" means the United States Commissioner of Education;

(2) The term "State" means a State, Hawaii, Puerto Rico, Guam, the Virgin Islands,

the District of Columbia, American Samoa, or the Canal Zone;

(3) The term "State educational agency" means the State board of education or other agency or officer primarily responsible for the State supervision of public elementary and secondary schools, or, if there is no such officer or agency, an officer or agency designated by the Governor or by State law;

(4) The term "school facilities" means classrooms and related facilities (including initial equipment, machinery, and utilities necessary or appropriate for school purposes), for education which is provided as elementary or secondary education, in the applicable State, at public expense and under public supervision and direction, except that such term does not include athletic stadiums, or other structures or facilities, intended primarily for events, such as athletic exhibitions, contests, or games, for which admission is to be charged to the general public, or off-site improvement, or structures or facilities designed to be used exclusively for special activities, such as single-purpose auditoriums and gymnasiums; and

(5) The term "construction" includes the preparation of drawings and specifications for school facilities; erecting, building, acquiring, altering, remodeling, improving, or extending school facilities; and the inspection and supervision of the construction of school facilities.

FINDINGS AND DECLARATION OF PURPOSE

SEC. 3. The Congress finds that there is a serious national shortage of public elementary and secondary school facilities despite strenuous efforts of the States and local communities, which because of limited financial resources have not been adequate to provide necessary construction programs to eliminate such shortages.

The Congress, while recognizing that responsibility for providing adequate school facilities is primarily that of the several States and their communities, finds that the national interest in our public school system requires that the Federal Government assist State and local governments, consistent with their respective responsibilities, in meeting school construction needs at least in the current emergency. It is the purpose of this Act to provide such emergency assistance to the States, so that this critical problem of inadequate school facilities may be attacked immediately in the light of current and anticipated school shortages, by authorizing grants to the States to be disbursed on order of the State educational agencies.

AUTHORIZATION OF APPROPRIATIONS

SEC. 4. There are hereby authorized to be appropriated for the fiscal year beginning July 1, 1959, and the next succeeding fiscal year, such amounts, not to exceed \$1,000,000,000 in either fiscal year, as may be necessary for making payments to the States under this Act for the construction of school facilities.

ALLOTMENTS TO STATES

SEC. 5. From the total funds appropriated for any fiscal year pursuant to section 4, the Commissioner shall allot to each State an amount which bears the same ratio to the total funds so appropriated as the school-age population of the State bears to the total of the school-age populations of all the States. As used in this section, the term "school-age population" means that part of the population which is between the ages of five and seventeen, both inclusive, as determined on the basis of the most recent estimates certified by the Secretary of Commerce.

QUALIFICATION BY STATES

SEC. 6. In order to qualify for receiving funds authorized in this Act a State shall by appropriate State action—

(1) accept the provisions of this Act and provide for the administration of funds to be received;

(2) provide that the State treasurer or corresponding official in the State shall receive the funds paid to the State under this Act and shall be required to submit to the Commissioner, on or before the 1st day of November of each year, for transmission to Congress, a detailed statement of the amount so received for the preceding fiscal year and its disbursement;

(3) provide that its State educational agency shall represent the State in the administration of funds received;

(4) provide for an annual audit, and for the submission of a copy thereof to the Commissioner, of the expenditure of funds received under this Act, and for a system of reports from local school jurisdictions and other educational agencies to the State educational agency;

(5) provide assurance satisfactory to the Commissioner that during each fiscal year in which funds are provided under this Act an amount of State or local funds, or both, at least equal to the funds provided under this Act will be spent for the same purposes for which funds are provided under this Act, and that such amount of State or local funds, or both, will be in excess of the average amount of State and local funds spent (including commitments made) for the construction of school facilities in such State during the three fiscal years preceding the first fiscal year in which funds are made available under this Act;

(6) provide that its State educational agency will make reports to the Commissioner, in such form and containing such information, as is reasonably necessary to enable the Commissioner to perform his duties under this Act; and

(7) transmit through its State educational agency to the Commissioner notice of acceptance and certified copies of the legislative enactments and the administrative regulations that may be issued by the State educational agency in connection with such funds, and any amendment of such enactments and revisions of regulations shall in like manner be transmitted to the Commissioner.

PAYMENT OF FUNDS

SEC. 7. The Commissioner shall certify to the Secretary of the Treasury for each fiscal year the amount allotted under section 5 to be paid to each State that has qualified under section 6, and the Secretary of the Treasury shall, through the fiscal service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the treasurer or corresponding official of such State the amount certified for such fiscal year in four equal installments, as soon after the first day of each quarter as may be feasible, beginning with the first quarter of the fiscal year for which appropriations authorized in this Act are available. Such treasurer or corresponding official shall pay out such funds only on the requisition of the State educational agency.

APPEAL

SEC. 8. In the event a State educational agency is dissatisfied with any action by the Commissioner taken with respect to such State pursuant to this Act, or with his failure to take any action with respect to such State pursuant to this Act, such agency may appeal to the Commissioner to change the action he has taken or to take the action he has failed to take, and to present to him in support of such appeal such statement and other evidence as such agency may deem appropriate. If the action taken by the Commissioner on such appeal is not satisfactory to such agency, or if he fails to act thereon within ninety days after he receives such appeal, such agency shall have the right to appeal to the United States district court for any district in which any part of such State is located. The court shall receive in evidence

a copy of the statements and other evidence presented by such agency to the Commissioner, and such further evidence as the court in its discretion deems proper; and shall have jurisdiction to enter such judgments as the facts and the law may require.

APPROPRIATION FOR ADMINISTRATION

SEC. 9. There are hereby authorized to be appropriated to the Department of Health, Education, and Welfare such sums as may be necessary for administration of this Act.

DELEGATION OF FUNCTIONS

SEC. 10. The Commissioner may delegate to any officer or employee of the Office of Education any of his functions under this Act except the making of regulations.

ASSURANCE AGAINST FEDERAL INTERFERENCE IN SCHOOLS

SEC. 11. In the administration of this Act, no department, agency, officer, or employee of the United States shall exercise any direction, supervision, or control over the personnel, curriculum, or program of instruction of any school or school system.

The PRESIDING OFFICER. The question is on agreeing to the amendment in the nature of a substitute.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. HILL. Mr. President, I ask unanimous consent that the Senate insist on its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered; and the Chair appoints Mr. HILL, Mr. MURRAY, Mr. McNAMARA, Mr. JAVITS, and Mr. CASE of New Jersey conferees on the part of the Senate.

The title was amended so as to read: "School Construction Assistance Act of 1960."

Mr. HILL subsequently said: Mr. President, I ask unanimous consent that the names of the Senator from Texas [Mr. YARBOROUGH] and the Senator from Arizona [Mr. GOLDWATER] may be added as conferees on H.R. 10128.

The PRESIDING OFFICER. Without objection, it is so ordered.

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

The Senate resumed the consideration of the bill (S. 3074) to provide for the participation of the United States in the International Development Association.

Mr. JAVITS. Mr. President, addressing myself—

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. DIRKSEN. Have the yeas and nays been ordered on the Williams amendment?

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. DIRKSEN. Is there some indication of how long the debate will continue?

Mr. JAVITS. I shall speak for about 5 or 6 minutes.

Mr. BUSH. I should like to speak for about 2 minutes.

Mr. DIRKSEN. Then may it be assumed that by 6 o'clock the Senate can vote on the Williams amendment?

Mr. WILLIAMS of Delaware. I expect to speak for about 5 or 10 minutes.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that there may be a limitation of debate of 10 minutes on each side on the Williams amendment.

Mr. WILLIAMS of Delaware. Mr. President, reserving the right to object, although I am willing to cooperate on reaching a vote rapidly I would not want to enter into any agreement to limit debate.

Mr. JAVITS. Mr. President, I shall support the opposition to the amendment. I shall vote against the amendment for this reason. I think that what has been argued here is very understandable. It is easy to accept the idea that we shall not make gifts of currencies. As a matter of fact, there is power now to make gifts of currencies under Public Law 480, and gifts of foreign currencies have been made in very large amount. The question really is, Shall we require the agency to return to Congress for new authority in an appropriation bill in order to do what is sought to be done? That is the real question before us. I believe it was the Senator from Iowa [Mr. HICKENLOOPER] who argued that Congress retains control in the sense that we can pass a law by a majority vote. The Senator from Vermont [Mr. AIKEN], whom no one loves more dearly and respect more than I, says the President could veto such a bill. Of course he could. He could veto any piece of proposed legislation. But I think we have to appreciate that this is a bill, not a treaty.

Why should so agreeable a contribution as is offered by the Senator from Delaware be rejected? I think it should be rejected for this reason: We must remember the fundamental purpose of the proposed legislation is to supply the tremendous demand by the less developed areas of the free world, which have caused us much trouble in international conferences and international negotiations. The United States was very much in the doghouse for a very long time in respect to negotiations in the United Nations concerning SUNFED—the Special United Nations Fund For Economic Development—because we were the "bad fellows"; we would not go along with that proposition, because we thought it was impropvidently organized financially. The International Development Association is supposed to be a substitute for SUNFED.

We all know that the amount which is here provided—a billion dollars—is far from adequate. We have the most cogent and most pronounced testimony on that score. It is far from being adequate to do the work which needs to be done, because these will be lesser loans than the World Bank is willing to make.

If we expect to do something under the terms of the bill, let us do it in the

way in which it will do us the most good. Let us not do it and, at the same time, give to it a coloration which will spoil the very effect of what we are doing.

Let us begin to do what is desired, and do it with the best of motives, the best of intentions, in the most appealing way. What is sought to be done is to put a restraint on what we wish to have considered as an act of statesmanship on the part of the United States, especially in view of the fact that ground rules have been laid down by the Secretary of the Treasury himself, through Mr. Upton, whose evidence is in the record before us, as to how the money will be used.

I have heard with the greatest of interest—and this is a point I should like to leave with Senators—the argument that we are creating competition for ourselves in other countries, and that the burden of competition is bearing in on the United States. No one knows that better than I. I come from an industrial State, where the problem of imports is becoming a real and burning issue. I have predicted to many Senators, and I predict again, that foreign economic policy will be one of the big issues of the 1960 campaign in the United States, and will be one of the big issues for 4 years, whoever is elected President following 1960.

We had better stake out our ground now in a very substantial, statesmanlike way, for this reason: We can not close up the world if we expect to keep it free. If we expect to have the United States participate in big protectionist programs, we shall thwart the very effort which we are making by the spending of billions of dollars militarily and economically for peace, if we act in a way which will have the effect of damaging the national security of the United States.

That does not mean letting down all the gates, repealing all the tariffs, and saying "Let us have free trade, and take our chances." It does not mean anything like that at all. It means that while we have reasonable hope concerning the kind of protection we will give American industry, while we give it the opportunity to secure major increases in world trade, including increases in exports, we must also do everything we humanly can to raise the labor standards and standards of consumption in other countries, especially in the underdeveloped areas of the free world. At the same time, we must also do everything possible to assure ourselves of a stable, continuous supply of basic commodities, without which our industrial machine would grind to a halt. It should be realized that right now the overwhelming majority of commodities which we are receiving come from the underdeveloped countries of the free world.

Finally, let us remember that we have an extremely active competitor. We are not alone in dealing with other countries of the world. We are dealing with the Communist bloc, which is standing poised to take advantage of every mistake we make in foreign economic policy. Therefore, at one and the same time that we try to phase out the problems of

protective tariffs, quotas, and agricultural surpluses, which lean heavily upon foreign trade in the United States, we must have a movement underway which is materially expanding America's standard of living to other countries, and which is providing for their greater development.

The IDA bill, although it is inadequate, provides an incentive for a movement forward of a very material kind, of a kind which we have needed for a long time, in respect to the development of the less developed areas. For the first time, we can use soft currencies to great advantage.

Therefore, I think we thwart our own objective when we impair the mobility with which we can use the soft currencies, and also thwart our objectives when we include provisions which discolor the character of the statesmanlike act which we are performing by joining IDA.

It is much harder to vote "nay" on the amendment than "yea"; it is much harder to explain. But I repeat what I have said many times: That is why we were sent here. We were not sent here to decide only the easy questions. We were not sent here to vote only on the easy questions.

I have the greatest respect for Senators who take a point of view opposite to my own. However, in view of the urgent action which can be performed by this kind of fund, and the fact that it will stabilize one of the big issues which has been made very clamorous upon us, and has resulted in very unfavorable relations with us among the less developed countries, we should not put a string on a real statesmanlike act so as to discolor and, in a sense, disqualify what we are trying to accomplish.

The second very basic proposition is that we will not help ourselves in this enormous new issue of foreign economic policy, especially as it relates to imports into the United States, unless at one and the same time we adopt the protective mechanisms which may be needed to carry our economy through a period of adjustment, and when we are stretching ourselves to raise the labor standards, the standards of living, and the levels of investment in the less developed areas of the free world.

For those reasons, I believe we must make, not the easy decision or the apparent decision, but the harder decision; and I believe we should leave unimpaired the bill as it has been reported by the committee.

Mr. WILLIAMS of Delaware. Mr. President, the Senator from New York has pointed out that if the present measure is enacted into law and if we decide later on that these funds are not being handled wisely the Congress can, by majority vote, change the arrangement. I believe the Senator from New York was slightly in error on that point, because under this measure once the Government is authorized to enter into these agreements and once the money has been given to this international agency we cannot retract our action. I point out that this will not be a domestic agency; it will be an interna-

tional agency and will operate under an agreement which will have been ratified by 50 or 60 countries. Once we shall have given this new international agency the money—once that is done—I do not believe the Congress by majority vote will be able to change that agreement.

Mr. JAVITS. Mr. President, will the Senator from Delaware yield to me?

The PRESIDING OFFICER (Mr. McGEE in the chair). Does the Senator from Delaware yield to the Senator from New York?

Mr. WILLIAMS of Delaware. I yield.

Mr. JAVITS. The Senator from Delaware is always fair and is always accurate. In response to the statement he has made, let me say that certainly we shall commit the funds, once this program is undertaken; and once such funds have been committed, their use cannot be changed by means of a subsequent act of Congress. Furthermore, I understand that if we adopt this amendment whatever funds we have at the time when the agreement is made will be made available only pursuant to the provisions of the amendment.

I was directing my remarks to the statement made by the distinguished and beloved Senator from Vermont—namely, that we would have committed ourselves to the tune of \$1 billion or \$1,500 million of soft currencies, every year.

I do not believe that by means of a subsequent act of Congress—albeit subject to a Presidential veto—the Congress would be able to stop such use of those currencies; and when I vote for this provision, I shall realize that I am committing myself to such use of the soft currencies by these agencies, up to the time when such further act of Congress may be passed and enacted into law.

Mr. WILLIAMS of Delaware. I agree on that point; however, without the approval of this amendment we shall be authorizing this agency to use all or any part of the foreign currencies which have accumulated thus far or until this authority would be stopped by means of a future act of Congress—all future accumulated foreign currencies could be given to this new international organization. Once the funds are given to the agency we shall not be able to recall them.

I agree in principle with the proposal to create such an international agency instead of having our Government proceed to operate alone in this field, but let us establish it on a sound business basis, each country paying into the organization its proportionate part. The making of gifts is not a part of the international agreement into which we entered. Why give to the agency more than our proportionate and agreed part? Why be so anxious to get rid of this money without getting something to show for it. The other countries will not respect us for such action.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD, a schedule of the initial subscriptions to the proposed International Development Association as agreed upon by the respective countries. The sched-

ule shows that it is proposed that the United States provide \$320,296,300 as its part.

There being no objection, the schedule was ordered to be printed in the RECORD, as follows:

Schedule A—Initial subscriptions
(Millions of U.S. dollars)¹

Part I:	
Australia.....	20.18
Austria.....	5.04
Belgium.....	22.70
Canada.....	37.83
Denmark.....	8.74
Finland.....	3.83
France.....	52.96
Germany.....	52.96
Italy.....	18.16
Japan.....	33.59
Luxembourg.....	1.01
Netherlands.....	27.74
Norway.....	6.72
Sweden.....	10.09
Union of South Africa.....	10.09
United Kingdom.....	131.14
United States.....	320.29
Total.....	763.07

Part II:	
Afghanistan.....	1.01
Argentina.....	18.83
Bolivia.....	1.06
Brazil.....	18.83
Burma.....	2.02
Ceylon.....	3.03
Chile.....	3.53
China.....	30.26
Colombia.....	3.53
Costa Rica.....	.20
Cuba.....	4.71
Dominican Republic.....	.40
Ecuador.....	.65
El Salvador.....	.30
Ethiopia.....	.50
Ghana.....	2.36
Greece.....	2.52
Guatemala.....	.40
Haiti.....	.76
Honduras.....	.30
Iceland.....	.10
India.....	40.35
Indonesia.....	11.10
Iran.....	4.54
Iraq.....	.76
Ireland.....	3.03
Israel.....	1.68
Jordan.....	.30
Korea.....	1.26
Lebanon.....	.45
Libya.....	1.01
Malaya.....	2.52
Mexico.....	8.74
Morocco.....	3.53
Nicaragua.....	.30
Pakistan.....	10.09
Panama.....	.02
Paraguay.....	.30
Peru.....	1.77
Philippines.....	5.04
Saudi Arabia.....	3.70
Spain.....	10.09
Sudan.....	1.01
Thailand.....	3.03
Tunisia.....	1.51
Turkey.....	5.80
United Arab Republic.....	6.03
Uruguay.....	1.06
Venezuela.....	7.06
Vietnam.....	1.51
Yugoslavia.....	4.04
Total.....	236.93

Total..... 1,000.00

¹ In terms of U.S. dollars of the weight and fineness in effect on Jan. 1, 1960.

Mr. WILLIAMS of Delaware. Mr. President, I also ask unanimous consent to have printed at this point in the RECORD a tabulation of U.S. Government securities held by foreign countries and by investors in those countries as well

as the amounts held by international institutions, as of November 30, 1959.

This report was obtained from the Treasury Department, and based upon their survey the average maturity of these bonds is about 6 months and the

average rate of interest, about 4¼ percent. The report is broken down by country holdings.

There being no objection, the tabulation was ordered to be printed in the RECORD, as follows:

U.S. Government securities held by foreign investors and international institutions Nov. 30, 1959

(Dollars in millions)

	Bills and certificates of indebtedness		Notes and bonds ²	All U.S. Government securities	Memorandum: Percentage of bills and certificates held by foreign banks and official institutions		Bills and certificates of indebtedness		Notes and bonds ²	All U.S. Government securities	Memorandum: Percentage of bills and certificates held by foreign banks and official institutions
	Held by foreign banks and official institutions ¹	Held by all other foreigners					Held by foreign banks and official institutions ¹	Held by all other foreigners			
Foreign countries:											
Italy.....	\$1,218	\$6	(³)	\$1,224	99.5	Foreign countries—continued					
Germany, Federal Republic.....	1,200	5	\$16	1,221	99.6	Bolivia.....	(³)	(³)	(³)	(³)	3.1
Canada.....	489	89	444	1,022	84.6	Brazil.....	(³)	2	(³)	3	89.8
United Kingdom.....	219	112	324	655	66.2	Chile.....	(³)	(³)	(³)	(³)	95.0
France.....	567	4	35	606	99.3	Colombia.....	(³)	(³)	(³)	(³)	46.8
Japan.....	525	(³)	2	527	99.9	Dominican Republic.....	(³)	(³)	(³)	(³)	26
Switzerland.....	174	22	89	286	88.7	Guatemala.....	4	(³)	(³)	4	46.8
Netherlands.....	237	13	28	278	94.8	Mexico.....	11	12	3	8	.4
Sweden.....	117	(³)	101	218	99.9	Panama.....	(³)	5	3	1	2
Greece.....	158	1	(³)	159	99.4	Peru.....	1	1	(³)	1	100.0
Norway.....	9	2	141	152	84.9	El Salvador.....	1	4	(³)	4	.1
Denmark.....	82	1	64	147	98.4	Uruguay.....	(³)	2	(³)	2	2.5
Austria.....	89	(³)	7	96	100.0	Venezuela.....	(³)	1	1	1	100.0
Thailand.....	95	(³)	1	96	99.9	China mainland.....	1	(³)	1	40	100.0
Cuba.....	9	1	82	92	87.7	Iran.....	39	(³)	1	31	100.0
Australia.....	69	(³)	(³)	69	99.9	Israel.....	31	(³)	3	23	99.3
Finland.....	65	(³)	1	66	100.0	Korea.....	20	(³)	(³)	(³)	9.8
India.....	64	(³)	1	65	100.0	Philippines.....	(³)	(³)	(³)	2	100.0
Indonesia.....	54	(³)	1	55	100.0	Taiwan.....	2	(³)	(³)	(³)	100.0
Belgium.....	12	1	7	20	94.4	Belgian Congo.....	1	(³)	(³)	1	100.0
Czechoslovakia.....	(³)	(³)	(³)	(³)	(³)	Egypt.....	12	(³)	1	13	100.0
Poland.....	(³)	(³)	(³)	(³)	(³)	Union of South Africa.....	389	4	63	456	98.9
Portugal.....	(³)	(³)	1	1	(³)	Other Europe ⁴	11	(³)	11	22	98.0
Rumania.....	(³)	(³)	3	3	(³)	Other Latin America ⁴	154	(³)	34	188	99.9
Spain.....	(³)	(³)	(³)	(³)	(³)	Other Asia ⁴	13	1	(³)	14	95.4
Turkey.....	(³)	(³)	(³)	(³)	(³)	All other ⁴	6,140	291	1,472	7,903	95.5
U.S.S.R.....	(³)	(³)	(³)	(³)	(³)	Total, foreign countries.....	3,016	(³)	646	3,662	
Yugoslavia.....	(³)	(³)	(³)	(³)	(³)	International institutions.....					
Argentina.....	(³)	(³)	(³)	(³)	5.3	Grand total.....	9,155	291	2,118	11,565	

¹ Includes central banks and commercial banks (both private and Government owned).

² Not available by type of investor.

³ Less than \$500,000.

⁴ As reported to the Treasury. "Other Europe" includes Bank for International Settlements.

⁴ Includes \$2,055,250,000 of special notes issued to the International Monetary Fund which are nonnegotiable, bear no interest and are payable on demand.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Treasury Department.

Mr. WILLIAMS of Delaware. Mr. President, I next ask unanimous consent to have printed at this point in the RECORD a tabulation of the status of 2½ percent loans to the various countries through mutual security agencies from the time of their inception to June 30, 1959. The tabulation sets forth \$1,495,-

654,647.57 as having been loaned to these countries at 2½ percent interest rates and upon which we have collected a total of \$50,441,225.99 on the principal. This still leaves about \$1½ billion which they owe us and upon which we are collecting 2½ percent. We are paying many of these same countries 4¼ percent interest

when borrowing back this same money.

I place this information in the RECORD in order that we may get a clearer picture of our lending activities.

There being no objection, the tabulation was ordered to be printed in the RECORD, as follows:

Mutual security agencies—Status of country loans from inception to June 30, 1959

Country	Public Law—	Date of loan agreement	Initial amortization due date	Loan No.	Repayable in	Interest	Loan disbursements	Interest collections	Repayment of principal
Afghanistan.....	329	Jan. 8, 1953	Jan. 15, 1959	TCA No. 2.....	Dollars.....	Percent 2½	\$1,433,933.19	¹ \$161,172.78	(¹)
Total.....							1,433,933.19		0
Belgium.....	472	Nov. 2, 1948	June 30, 1956	ECAX 32-1.....	Dollars.....	2½	47,900,000.00	8,269,669.18	2,795,000.00
	472	Nov. 7, 1948do.....	ECAX 32-2.....	do.....	2½	3,000,000.00	517,849.68	177,125.00
	472	June 29, 1950	Dec. 31, 1952	ECAX 32-3.....	do.....	2½	1,606,607.50	217,895.04	777,875.00
Total.....							52,506,607.50		3,750,000.00
Denmark.....	472	Oct. 27, 1948	June 30, 1956	ECAX 36-1 and 2.....	Dollars.....	2½	31,000,000.00	5,388,264.36	980,000.00
	165	June 10, 1952	June 30, 1960	MSAX 36-3.....	do.....	2½	2,300,000.00	172,342.47	
Total.....							33,300,000.00		980,000.00

Footnotes at end of table.

Mutual security agencies—Status of country loans from inception to June 30, 1959—Continued

Country	Public Law	Date of loan agreement	Initial amortization due date	Loan No.	Repayable in	Interest	Loan disbursements	Interest collections	Repayment of principal
						Percent			
France.....	472 472 165	Oct. 27, 1948 Nov. 7, 1950 Apr. 18, 1953	June 30, 1956 do June 30, 1960	ECAX 38-1 and 2 ECAX 38-3 ECAX 38-4	Dollars do do	2½ 2½ 2½	172,000,000.00 10,400,000.00 43,200,000.00	29,837,602.74 1,804,144.91 3,237,041.09	7,000,000.00 422,968.00 -----
Total.....							225,600,000.00	-----	7,422,968.00
Germany.....	165	May 7, 1952	June 30, 1960	MSAX 09-1	Dollars	2½	16,900,000.00	1,266,342.46	-----
Total.....							16,900,000.00	-----	0
Iceland.....	472 472 165	Nov. 14, 1950 July 14, 1950 June 24, 1952	June 30, 1956 do do	ECAX 43-1 and 2 ECAX 43-3 MSAX 43-4	Dollars do do	2½ 2½ 2½	2,300,000.00 2,000,000.00 1,000,000.00	391,739.96 340,568.50 74,931.51	287,497.00 252,000.00 -----
Total.....							5,300,000.00	-----	539,497.00
India.....	48	June 15, 1951	June 30, 1957	ECAX 86-1	Dollars	2½	189,656,420.78	28,321,270.05	3,417,363.28
Total.....							189,656,420.78	-----	3,417,363.28
Indonesia.....	472	Nov. 22, 1949	June 30, 1956	ECAX 87-1 and 2	Dollars	2½	17,200,000.00	2,885,523.97	3,325,000.00
Total.....							17,200,000.00	-----	3,325,000.00
Ireland.....	472 472	Nov. 2, 1949 June 30, 1950	June 30, 1956 do	ECAX 44-1 and 2 ECAX 44-3	Dollars do	2½ 2½	86,300,000.00 41,900,000.00	15,044,625.18 7,304,398.98	1,826,979.12 889,000.00
Total.....							128,200,000.00	-----	2,715,979.12
Italy.....	472 472 165	Mar. 7, 1949 Sept. 13, 1950 June 27, 1952	June 30, 1956 do June 30, 1960	ECAX 45-1 and 2 ECAX 45-3 MSAX 45-4	Dollars do do	2½ 2½ 2½	67,000,000.00 6,000,000.00 22,600,000.00	11,567,561.65 1,035,942.86 1,693,452.05	4,200,000.00 375,004.00 -----
Total.....							95,600,000.00	-----	4,575,004.00
Netherlands.....	472 472 165	Feb. 1, 1949 Feb. 16, 1950 Apr. 10, 1952	June 30, 1956 June 30, 1960 do	ECAX 47-1 and 2 ECAX 47-3 MSAX 47-4	dollars do do	2½ 2½ 2½	129,500,000.00 4,000,000.00 16,000,000.00	22,488,619.19 694,646.58 1,198,904.11	5,800,000.00 178,570.00 -----
Total.....							149,500,000.00	-----	5,978,570.00
Norway.....	472 165 165	Oct. 29, 1948 May 23, 1952 June 25, 1952	June 30, 1956 June 30, 1960 June 30, 1955	ECAX 48-1 MSAX 48-2 MSAX 48-3	dollars do do	2½ 2½ 2½	35,000,000.00 2,400,000.00 1,800,000.00	5,961,001.71 179,835.61 251,815.06	4,375,000.00 ----- 810,000.00
Total.....							39,200,000.00	-----	5,185,000.00
Pakistan.....	320	Sept. 11, 1952	Sept. 15, 1967	TCA No. 1	dollars	2½	15,000,000.00	1,637,000.00	(*)
Total.....							15,000,000.00	-----	0
Portugal.....	472 472	May 15, 1950 Dec. 23, 1951	June 30, 1956 do	ECAX 50-1 ECAX 50-3	dollars do	2½ 2½	27,500,000.00 8,551,000.00	4,720,751.13 1,364,327.62	2,485,873.54 772,971.05
Total.....							36,051,000.00	-----	3,258,844.59
Sweden.....	472	Dec. 29, 1949	June 30, 1956	ECAX 53-1	dollars	2½	20,400,000.00	3,474,225.00	2,555,000.00
Total.....							20,400,000.00	-----	2,555,000.00
Turkey.....	472 472 472 165	Nov. 1, 1948 Mar. 23, 1949 Oct. 27, 1950 May 19, 1952	June 30, 1966 do do do	ECAX 77-1 ECAX 77-2 ECAX 77-3 MSAX 77-4	dollars do do do	2½ 2½ 2½ 2½	30,000,000.00 8,000,000.00 35,806,686.10 11,200,000.00	3,326,301.37 ----- 3,134,134.57 (?)	(?) ----- (?) (?)
Total.....							85,006,686.10	-----	0
United Kingdom.....	472 472 165	Mar. 29, 1950 Sept. 20, 1950 Mar. 29, 1952	June 30, 1956 do June 30, 1960	ECAX 57-1 and 2 ECAX 57-3 ECAX 57-4	Dollars do do	2½ 2½ 2½	322,700,000.00 14,200,000.00 47,900,000.00	56,301,176.13 2,477,461.13 3,580,219.18	6,454,000.00 284,000.00 -----
Total.....							384,800,000.00	-----	6,738,000.00
Grand total, 2½-percent loans.....							1,495,654,647.57	230,382,257.81	50,441,225.99

* Deferment of principal and interest payments in process of negotiation as of June 30, 1959.

* Principal installments and interest payments from Dec. 31, 1958, through June 30, 1967, have been deferred and follow the original terminal installment due date.

* Principal installments and interest payments from Sept. 15, 1958, through Mar. 15, 1967, have been deferred and follow the original terminal installment due date.

* Principal installments and interest payments from June 30, 1956, through Dec. 31, 1966, have been deferred and follow the original terminal installment due date.

Footnotes 2, 3, and 4 appear on later chart listing other loans.

Mr. WILLIAMS of Delaware. Mr. President, I repeat, if the amendment I have submitted here today is approved it will not in any way restrict the authority of the United States to provide its initial subscription to the new organization. All that the adoption of this amendment would do is to make sure that the \$1½ billion in foreign currencies which we now own cannot be given away to some international agency.

Mr. SALTONSTALL. Mr. President, will the Senator from Delaware yield to me?

Mr. WILLIAMS of Delaware. I yield.

Mr. SALTONSTALL. The Senator from Delaware has said several times that these funds will be disposed of by gift. However, I desire to point out that they will not necessarily be disposed of by gift. The funds will be used by means of arrangements made between the United States and the countries whose currencies are involved and the International Development Association. Under those circumstances, and following all the debate we have had in regard to this matter, this afternoon, I imagine

that very few grants or gifts, as such, will be made.

Mr. WILLIAMS of Delaware. Conceivably there would be no gifts, but on the other hand conceivably the entire fund would be disposed of by means of gifts. If this amendment is rejected no provision of the bill would prevent all or any part of the funds from being disposed of by gift. It would be decided solely at the discretion of some executive downtown as to whether or not to make gifts.

On the other hand, if the Congress does not wish this \$1 billion or \$1½ billion to be given away, Congress should enact this amendment here today. If we do not wish these funds to be given away we should spell out in this measure that these funds cannot be given away. That is the only way it can be stopped.

It is necessary that we adopt this amendment. During the committee hearing the testimony submitted showed very clearly in my opinion—and, I believe, in the opinion of other Members of the Senate—that the officials do intend to give away some of these funds. Otherwise, why do they seek the authority?

We have many agencies which can make loans of these funds under existing law. The Export-Import Bank is lending some of the soft currencies which are being accumulated under the operations of Public Law 480. However, we are charging exorbitant rates of interest—for instance, 10 percent to Mexico, 12 percent to China, and 15 or 20 percent to Brazil—as the Senator from Vermont has pointed out. Certainly such rates of interest are exorbitant. Why should our American lending agencies charge our friends, these countries which are our best allies, 10 or 12 percent or sometimes 15 or 20 percent interest? Such interest charges are entirely exorbitant. They do not generate friendly relations with those countries.

Then these agencies say to Congress that they cannot get rid of all these foreign currencies at such exorbitant rates of interest and therefore they now wish to have congressional authority to give the funds to a new international agency, which then will be able to lend the money to these countries at more reasonable interest rates. But such a procedure would only show up our Government as a shylock. Why do we not reduce our interest rates to a reasonable basis?

I say we should impose a limitation on the interest rates which may be charged by our lending agencies to these foreign countries. I believe it is indefensible for the Export-Import Bank to charge Mexico 10 percent for loans of soft currency and to charge other countries even higher rates.

We say we wish to help those countries which are our friends, and the Congress repeatedly votes for the enactment of foreign aid bills under which dollars are given outright to these countries. However, through these exorbitant interest rates we are losing all the friendship which we possibly could generate under our gifts.

If we instruct our lending agencies, which now are operating in this field, to make the loans at reasonable rates of interest, I think we shall be able to use efficiently these foreign currencies, and at the same time we shall create a great deal of good will for the United States. Under no circumstances should the rate of interest our agencies charge these countries exceed 6 percent. While we engage in such a program why should we not generate some good will for our country?

If a bank charges an exorbitant rate of interest in connection with a loan it

makes, the man to whom the loan is made may feel that he has no alternative but to pay the exorbitant rate of interest, but certainly he never will have any respect for the bank or any friendship for the lender.

Furthermore, we claim to be a great country which believes in the free-enterprise system, but we are lending money at 4 percent to the government of one of the countries of South America while at the same time we are charging private enterprise in that country 12 percent. In short, by such means it would seem that we are trying very hard to destroy the private-enterprise system. We know that private enterprise cannot pay 12 percent interest on the loans it obtains and still be able to compete with a Government agency which is able to obtain its funds at 4 percent. Yet our Government is now engaged in making such loans, both at the 4-percent rate as charged to those governments, and at the 12-percent rate, which our agencies charge to private enterprise in those countries.

Certainly it is time for us to overhaul some of the operations of these agencies of ours.

I have inserted in the RECORD here today reports showing that in foreign countries we have about \$1,500 million of dollar loans upon which we are collecting 2½ percent rate of interest. We have been paid back on those loans approximately \$50 million of the principal, but those countries still have approximately \$1,500 million of our hard dollars at a 2½ percent rate of interest.

At the same time, foreign countries—in many instances the same countries—hold approximately \$8 billion of U.S. Government obligations, on which our Government is paying 4¼ percent interest. In short, our Government is borrowing back in many instances from the same countries these funds on which they are paying 2½ percent interest, and our Government is paying 4¼ percent interest.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. JAVITS. I do not wish to engage the Senator any further in debate on this question. We have both given our views, as have other Senators. I could not agree more with the Senator about getting other countries to pitch into foreign aid activities. My own activities in the NATO Parliamentarians and Mr. Douglas Dillon's activities in respect to European countries are evidence of that interest; and the new organization now contemplated will result in a monumental effort toward that end. However, nothing we are doing here blinds me, or the Senator from Delaware, or anyone else, to the need for it.

Although the Senator from Delaware differs with me on the merits of this proposal, I think he will agree with me that the sum total of what we are planning to do in IDA is to get more help from the industrialized European nations which have made a remarkable recovery. Even with all these efforts, I am sure it will be recognized that we shall have a narrow squeak in trying to

meet the problems of the world in respect to the less developed countries.

Mr. WILLIAMS of Delaware. I agree with the Senator. I think he was here when I said we are not in disagreement on the proposal. If we can adopt this amendment which would strike from the bill the authority to make gifts I will vote for it.

I believe in the principle of an international lending agency. But, as one example, we have accumulated as a result of our foreign aid program a substantial block of Israeli pounds. Those pounds can be used only for lending in Israel. Through the Export-Import Bank, we are charging 7½ percent for loans there. We are told now, in effect, we cannot get rid of all this money by lending it through our domestic American agencies at 7½ percent, but they want us to give to an international lending agency the rest of the Israeli pounds so they can be loaned at 1, 2, 3, or 4 percent.

In Mexico it is worse. Money is loaned there at 10 percent. In Nationalist China, for whom we express great sympathy, we are charging 12 percent. A loan was negotiated on October 1, 1959, for which 12-percent interest is charged Nationalist China. Is that being a friend of Nationalist China? Is the Senator a friend of mine if he charges me 12 percent solely because I badly need a loan? Certainly not. We have an overabundance of Nationalist Chinese dollars, and we would lose nothing if we granted loans of those dollars at 1 percent. Why do we not generate some goodwill for America by doing that instead of taking all our assets and giving them to an international agency. It would be much more sensible to generate good will this way than to keep trying to buy it with cash.

I think this amendment should be adopted. Not a single Senator who has spoken in support of the committee bill has said he recommends gifts of this money. If Senators are not for giving away this money, they should be in favor of adopting the amendment, which provides that the money cannot be transferred as gifts. Let there be no misunderstanding—it was made very clear when the agencies solicited the authorization that if Congress gives them the authority they are going to use these foreign currencies to make gifts to this agency. In the interest of good sound business practice the amendment should be approved.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Delaware. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Virginia [Mr. BYRD], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Rhode Island [Mr. GREEN], the Senator from Indiana [Mr. HARTKE], the Senator from Arizona [Mr. HAYDEN], the Senator

from Minnesota [Mr. HUMPHREY], the Senator from Oklahoma [Mr. KERR], the Senator from Oregon [Mr. LUSK], the Senator from Washington [Mr. MAGNUSON], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Utah [Mr. MOSS], the Senator from Montana [Mr. MURRAY], the Senator from Rhode Island [Mr. PASTORE], the Senator from Florida [Mr. SMATHERS], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

The Senator from Massachusetts [Mr. KENNEDY], the Senator from Maine [Mr. MUSKIE], the Senator from Wyoming [Mr. O'MAHONEY], the Senator from West Virginia [Mr. RANDOLPH], and the Senator from Missouri [Mr. SYMINGTON] are necessarily absent.

The Senator from Missouri [Mr. HENNINGS] is absent because of illness.

I further announce that, if present and voting, the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Rhode Island [Mr. GREEN], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Utah [Mr. MOSS], the Senator from Montana [Mr. MURRAY], the Senator from West Virginia [Mr. RANDOLPH], the Senator from Florida [Mr. SMATHERS], the Senator from Alabama [Mr. SPARKMAN], and the Senator from Missouri [Mr. SYMINGTON] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from New Hampshire [Mr. BRIDGES], and the Senator from Arizona [Mr. GOLDWATER] are necessarily absent.

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from New Hampshire [Mr. BRIDGES], and the Senator from Arizona [Mr. GOLDWATER] would each vote "yea."

The result was announced—yeas 39, nays 33, as follows:

YEAS—39

Aiken	Eastland	Mundt
Beall	Ellender	Prouty
Bible	Ervin	Proxmire
Brunsdale	Fong	Robertson
Bush	Frear	Russell
Butler	Gruening	Schoeppel
Byrd, W. Va.	Hruska	Smith
Cannon	Johnston, S.C.	Stennis
Capehart	Jordan	Talmadge
Case, S. Dak.	Keating	Thurmond
Cotton	Lausche	Williams, Del.
Curtis	McClellan	Young, N. Dak.
Dworshak	Morse	Young, Ohio

NAYS—33

Allott	Gore	Long, La.
Bartlett	Hart	McGee
Carlson	Hickenlooper	McNamara
Carroll	Hill	Mansfield
Case, N.J.	Holland	Martin
Clark	Jackson	Monroney
Cooper	Javits	Morton
Dirksen	Johnson, Tex.	Saltonstall
Douglas	Kefauver	Scott
Engle	Kuchel	Williams, N.J.
Fulbright	Long, Hawaii	Yarborough

NOT VOTING—28

Anderson	Dodd	Humphrey
Bennett	Goldwater	Kennedy
Bridges	Green	Kerr
Byrd, Va.	Hartke	Lusk
Chavez	Hayden	McCarthy
Church	Hennings	Magnuson

Moss	Pastore	Symington
Murray	Randolph	Wiley
Muskie	Smathers	
O'Mahoney	Sparkman	

So the amendment of Mr. WILLIAMS of Delaware was agreed to.

Mr. WILLIAMS of Delaware. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. AIKEN. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Vermont to lay on the table the motion of the Senator from Delaware to reconsider.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

If there be no amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? [Putting the question.]

The bill (S. 3074) was passed.

Mr. FULBRIGHT subsequently said: Mr. President, I move that the Senate reconsider the vote by which the bill (S. 3074) was passed.

Mr. MONRONEY. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

SCHOOL CONSTRUCTION ASSISTANCE ACT OF 1960—ORDER VITIATING UNANIMOUS-CONSENT AGREEMENT

Mr. JOHNSON of Texas. Mr. President, earlier today the senior Senator from Georgia [Mr. RUSSELL] asked to be notified some time in advance before the school bill—H.R. 10128—was sent to conference, if that were the action which was anticipated. Later in the day there were conferences with the minority leader and with the distinguished chairman of the committee [Mr. HILL] and we reached an agreement as to the course of action to be followed. I was requested by the Senator from Georgia to notify him before any action was taken in the Senate. Also request was made of one of the staff aids to that effect. He was not notified, and the measure went to conference without his knowledge.

I am entirely to blame in the matter and assume full responsibility for it. I ask unanimous consent that the unanimous-consent request that was previously approved be vitiated, and that the school construction assistance bill be restored to the status that prevailed before the request was made.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. CASE of South Dakota. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CASE of South Dakota. Mr. President, there is a bit of confusion on the part of some of us as to the status of the so-called aid-to-education bill. As I understood, the distinguished majority leader asked to vitiate the action which was taken with reference to the bill to authorize Federal financial assistance to the States to be used for constructing school facilities.

I further understood that two actions had been taken with respect to the House bill: one, to strike out the text of the House bill and to substitute the text of the bill which was previously passed by the Senate; second, to send the bill to conference. Did the request by the distinguished majority leader merely recall the bill from conference, or did it vacate the action whereby the original text of the House bill was stricken and the language of the Senate bill substituted?

Mr. JOHNSON of Texas. I intended that the Senate vitiate all the action that was taken by my previous unanimous-consent request, which was to substitute the Senate bill, send the bill to conference, and appoint conferees, for the reason that the Senator from Georgia [Mr. RUSSELL] had made abundantly clear to me that he wanted to be present and that he wanted advance notice of proposed action.

I later conferred with the chairman of the committee [Mr. HILL] and the minority leader, and in the course of those conferences the request of the Senator from Georgia slipped my mind until after the action was taken, and just before the Senator from Georgia entered the Senate I conferred with the chairman of the committee. After the Senator from Georgia came into the Senate I explained to him what happened and said that if he still desired that notice I would see that his request was honored, because obviously consent would not have been given had I complied with his request, as I had intended to.

Mr. CASE of South Dakota. Mr. President, what is the status of the House bill now? Is it at the desk?

The PRESIDING OFFICER. The House bill is now lying on the desk.

Mr. CASE of South Dakota. It is not referred to the Senate Committee on Labor and Public Welfare?

The PRESIDING OFFICER. It has not been referred.

Mr. CASE of South Dakota. It would be eligible for such referral?

The PRESIDING OFFICER. When the bill is before the Senate, such motion will be in order.

Mr. JAVITS. Mr. President, will the Senator from Texas yield to me?

Mr. JOHNSON of Texas. I yield.

Mr. JAVITS. Will the Senator from Texas tell us whether he will give notice as to when he intends to have this matter called up?

Mr. JOHNSON of Texas. I have no definite plans. I will confer with the leadership and others and make an announcement to that effect.

Mr. HOLLAND subsequently said: Mr. President, I understand that the request made by the senior Senator from Georgia [Mr. RUSSELL] relative to the education

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued June 9, 1960
For actions of June 8, 1960
86th-2d, No. 104

Agricultural appropriations.....5	
Appropriations.....5,15	
Area redevelopment.....20	
Banking and currency.....9	
Budget receipts.....26	
CCC.....23	
Contracts.....11	
Farm City Week.....27	
Farm program.....12,19	
Food.....4	
Foreign aid.....4,6,22	
Forestry.....2,14	
Health benefits.....13	
Housing.....3	
International dam.....8	
Item veto.....15	
Payments in lieu.....28	
Personnel.....10,13,25,29	
Property.....18	
Public debt.....26	
Purchasing.....11	
Subsidy payments.....23	
Sugar.....16	
Vesicular exanthema.....30	
Water resources.....7	
Watersheds.....17	
Wheat.....1,24	
Wilderness.....21	

HIGHLIGHTS: Senate began debate on wheat bill. Senate passed multiple use forestry management bill. Senate subcommittee voted to report housing bill. House conferees appointed on agricultural appropriation bill.

SENATE

1. WHEAT. Began debate on S. 2759, the Ellender wheat bill (see Digest 80 for a summary of the provisions of the bill) (pp. 11232-50). Agreed to a technical amendment by Sen. Johnston to renumber certain sections of the bill (p. 11238). Agreed to a unanimous-consent request by Sen. Johnson to limit debate on any amendment to 1 hour, and to limit debate on the question of final passage to 2 hours (p. 11236). Several Senators submitted amendments intended to be proposed to the bill (p. 11202).
2. FORESTRY. Passed without amendment H. R. 10572, to direct the Secretary of Agriculture to administer the national forests for multiple use and sustained yield of their several products and services. The bill provides recognition in one single statute that the national forests provide watershed, timber, range, outdoor recreation, and fish and wildlife values, and declares that it is the policy of the Congress that the national forests are established and are to be administered for such purposes. This bill will now be sent to the President. pp. 11212-22
3. HOUSING. The Housing Subcommittee of the Banking and Currency Committee voted to report to the full committee an omnibus housing authorization bill. The "Daily Digest" states that, as approved by the subcommittee, the bill "would provide total funds of \$1.58 billion, which sum would include (1) \$500 million for

college housing, (2) \$350 million for urban renewal, (3) \$100 million for public facility loans, and (4) \$175 million for FNMA special assistance program, of which \$150 million would be for the President's fund, and \$25 million for the cooperative program." p. D520

4. FOREIGN AID. Sen. Humphrey urged support for his proposal to establish a White Fleet of mercy ships to provide emergency relief, including food supplies, to disaster areas abroad. pp. 11228-9

HOUSE

5. AGRICULTURAL APPROPRIATION BILL, 1961. House conferees were appointed on this bill, H. R. 12117, with permission granted to file report by midnight tonight, June 9. (p. 11252). Senate conferees have been appointed.
6. FOREIGN AID. The Banking and Currency Committee reported without amendment H. R. 11001, to provide for the participation of the U. S. in the International Development Association (H. Rept. 1766). p. 11305
7. WATER RESOURCES. The Public Works Committee reported without amendment H. R. 12467, granting the consent and approval of Congress to the northeastern water and related land resources compact (H. Rept. 1767). p. 11305
8. INTERNATIONAL DAM. The Rules Committee granted a rule for the consideration of H. R. 12263, to authorize the conclusion of an agreement for the joint construction by the U. S. and Mexico of a major international storage dam on the Rio Grande. pp. 11297, 11305
9. BANKING AND CURRENCY. The Banking and Currency Committee voted to report (but did not actually report) H. R. 12346, to extend for two years the authority of the Federal Reserve banks to purchase U. S. obligations directly from the Treasury. p. D522
10. PERSONNEL. A subcommittee of the Government Operations Committee voted to report to the full committee H. R. 12273, to provide for the payment of travel and transportation costs for persons selected for appointment to certain Federal positions. p. D522
- A subcommittee of the Post Office and Civil Service Committee voted to report to the full committee S. 2857, to amend the Civil Service Retirement Act so as to provide for refunds of contributions in the case of annuitants whose length of service exceeds the amount necessary to provide the maximum annuity allowable under such Act. p. D523
11. PURCHASING; CONTRACTS. The Subcommittee on Executive and Legislative Reorganization of the Government Operations Committee voted to report to the full committee H. R. 12496, to amend the "Anti-Kickback" statute to extend its provisions to all negotiated contracts. p. D522
12. FARM PROGRAM. The "Daily Digest" states that the Rules Committee "held a hearing but took no action to grant a rule" on H. R. 12261, the Poage farm bill. p. D523
13. HEALTH BENEFITS. Rep. Teller criticized the Civil Service Commission's administration of the Federal Employees Health Benefits Act, stating that the Commission "has ignored Secretary Flemming's facts of medical costs in creating this monstrosity of plans -- each of them ... more expensive than parallel coverage now carried under private and group coverage ... Federal Workers," and suggested

INTERNATIONAL DEVELOPMENT ASSOCIATION

JUNE 8, 1960.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SPENCE, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H.R. 11001]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 11001) to provide for the participation of the United States in the International Development Association, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The bill authorizes the President to accept membership on behalf of the United States in the International Development Association; authorizes to be appropriated the full amount of the U.S. subscription of \$320,290,000; contains several provisions of law necessary to make our membership effective; and provides for the coordination of the activities of the U.S. representatives to the International Development Association by the National Advisory Council on International Monetary and Financial Problems.

The International Development Association offers a new approach to a longstanding problem: through the Association, other highly developed nations will join with the United States in providing financing geared to the special needs of the less developed areas of the free world.

HISTORY AND DESCRIPTION OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION

The International Development Association, which will be an affiliate of the International Bank for Reconstruction and Development, is proposed as an international cooperative venture to provide development financing on flexible terms to the less developed countries

of the free world. It is designed to complement the development financing that is now available through national and international agencies providing capital to the less developed areas. Like the International Bank itself, it would not provide financing when such financing is available from private sources on reasonable terms. The need for a new multilateral institution to help accelerate progress in those areas was first most clearly recognized in the United States, which has taken the lead in advancing the proposal and in obtaining agreement on the articles.

The Association is designed to perform on a multilateral basis roughly the same functions which the U.S. Development Loan Fund performs bilaterally. Financing will be provided by the Association to its less-developed members for purposes of high developmental priority and, except in special circumstances, for specific projects. This financing will not be provided if it can be obtained from private sources on reasonable terms or through a loan of the type made by the International Bank. In their report on the articles of agreement, the Bank's Executive Directors supplement these intentionally broad provisions by explaining that projects such as pilot housing, sanitation, water supply, etc., are eligible, although the major portion of the Association's resources would probably be devoted to basic economic projects, such as railway programs or a group of integral parts of a country's or region's development program.

The concept of an International Development Association was significantly advanced by Senate Resolution 264 of July 23, 1958, which recommended that a study be conducted by the National Advisory Council with a view to determining the feasibility of establishing an IDA as an affiliate of the International Bank. According to the resolution, the objectives of the proposed Association would be to provide long-term capital on terms not presently available, facilitate the use of local currencies available to the United States, and insure that contributions from other nations be available for this purpose. With the endorsement of the President, broad international support for such a proposal was elicited by the Secretary of the Treasury and members of the executive branch through discussions and negotiations with representatives of other free world nations. During the summer of 1959 the National Advisory Council concluded that creation of an International Development Association was both feasible and desirable. In its report to the Senate on August 14, 1959 (S. Doc. 45, 86th Cong., 1st sess.), the Council described the discussions to date and indicated that in general the reaction of most countries had been favorable; in addition, certain guidelines for the proposed organization were suggested. The Council stated in its report at that time:

It is the Council's considered judgment that U.S. membership in such an institution could contribute significantly toward a solution of some of the urgent problems of underdeveloped areas. An International Development Association would also provide an opportunity for other industrial countries to take a more active role in financing the economic development of underdeveloped areas. For these reasons, the Council believes that it would be in the interest of the United States, and of the free world in general, to proceed with efforts to establish an International Development Association along the lines set forth in this report.

On October 1, 1959, at the annual meeting of the Board of Governors of the International Bank, a resolution introduced by the United States urging that the Executive Directors formulate articles of agreement was unanimously adopted by the Governors. Negotiating sessions commenced promptly, and on January 26, 1960, the Executive Directors approved the articles of agreement for submission to member governments. The text of these articles, a report of the Executive Directors, and the President's message and the National Advisory Council's Report recommending membership by the United States, are printed as House Document No. 345.

The International Development Association will be an international organization whose members must be members of the International Bank. It will be an affiliate of the International Bank so far as organization and management are concerned; the Governors and Executive Directors of the Bank are to serve *ex officio* in corresponding capacities for the Association. The Association will, however, be a separate financial entity whose funds must be kept apart from those of the Bank.

The initial resources of the International Development Association will total \$1 billion, if all members of the International Bank join. Member countries are divided into two groups for subscription purposes: 17 countries designated in part I of schedule A will contribute about \$763 million in gold or convertible currencies, while the other 51 nations in part II will provide the remaining \$237 million, 10 percent in gold or convertible currencies and the balance in their own national currencies. The IDA subscriptions are based upon the relative capital subscriptions to the International Bank, and, as in the Bank, voting rights are roughly proportionate to subscriptions. The 90-percent portion contributed by the less developed countries may not be converted into other currencies by the International Development Association or used to finance exports from the country concerned without its consent. The following schedule lists the contributions to be made by each proposed Association member:

Schedule of subscriptions[In millions of U.S. dollars ¹]

PART I		PART II—Continued	
Australia.....	20. 18	Guatemala.....	0. 40
Austria.....	5. 04	Haiti.....	. 76
Belgium.....	22. 70	Honduras.....	. 30
Canada.....	37. 83	Iceland.....	. 10
Denmark.....	3. 74	India.....	40. 35
Finland.....	3. 83	Indonesia.....	11. 10
France.....	52. 96	Iran.....	4. 54
Germany.....	52. 96	Iraq.....	. 76
Italy.....	18. 16	Ireland.....	3. 03
Japan.....	33. 59	Israel.....	1. 68
Luxembourg.....	1. 01	Jordan.....	. 30
Netherlands.....	27. 74	Korea.....	1. 26
Norway.....	6. 72	Lebanon.....	. 45
Sweden.....	10. 09	Libya.....	1. 01
Union of South Africa.....	10. 09	Malaya.....	2. 52
United Kingdom.....	131. 14	Malaysia.....	8. 74
United States.....	320. 29	Mexico.....	3. 53
		Morocco.....	. 30
		Nicaragua.....	10. 09
Total.....	763. 07	Pakistan.....	. 02
		Panama.....	. 30
		Paraguay.....	1. 77
		Peru.....	5. 04
		Philippines.....	3. 70
		Saudi Arabia.....	10. 09
		Spain.....	1. 01
		Sudan.....	3. 03
		Thailand.....	1. 51
		Tunisia.....	5. 80
		Turkey.....	6. 03
		United Arab Republic.....	1. 06
		Uruguay.....	7. 06
		Venezuela.....	1. 51
		Vietnam.....	4. 04
		Yugoslavia.....	
		Total.....	236. 93
		Total.....	1, 000. 00
PART II			
Afghanistan.....	1. 01		
Argentina.....	18. 83		
Bolivia.....	1. 06		
Brazil.....	18. 83		
Burma.....	2. 02		
Ceylon.....	3. 03		
Chile.....	3. 53		
China.....	30. 26		
Colombia.....	3. 53		
Costa Rica.....	. 20		
Cuba.....	4. 71		
Dominican Republic.....	. 40		
Ecuador.....	. 65		
El Salvador.....	. 30		
Ethiopia.....	. 50		
Ghana.....	2. 36		
Greece.....	2. 52		

¹ In terms of U.S. dollars of the weight and fineness in effect on Jan. 1, 1960.

The United States subscription will be payable in five annual installments; the initial payment will be about \$74 million. The following table gives in detail the projected payments by the United States:

U.S. subscription payments

[In U.S. dollars]

Installments and fiscal years	10-percent portion (1)	90-percent portion (2)	Total (3)
I—1961.....	¹ \$16, 014, 500	³ \$57, 652, 200	⁵ \$73, 666, 700
II—1962.....	² 4, 003, 625	⁴ 57, 652, 200	⁶ 61, 655, 825
III—1963.....	² 4, 003, 625	⁴ 57, 652, 200	⁶ 61, 655, 825
IV—1964.....	² 4, 003, 625	⁴ 57, 652, 200	⁶ 61, 655, 825
V—1965.....	² 4, 003, 625	⁴ 57, 652, 200	⁶ 61, 655, 825
Total.....	32, 029, 000	288, 261, 000	320, 290, 000

¹ 50 percent of 10-percent portion (5 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later.

² 12½ percent of 10-percent portion (1¼ percent of total subscription) payable 1 year after beginning of operations of Association, and at annual intervals thereafter until 10 percent portion fully paid.

³ 20 percent of 90-percent portion (18 percent of total subscription) payable within 30 days after date on which Association begins operations, or on date on which original member becomes a member, whichever is later.

⁴ 20 percent of 90-percent portion (18 percent of total subscription) payable 1 year after beginning of operations of Association, and at annual intervals thereafter until 90-percent portion fully paid.

⁵ 23 percent of total subscription (5 percent plus 18 percent).

⁶ 19¼ percent of total subscription (1¼ percent plus 18 percent).

The articles provide for a periodic review by the Association of the adequacy of its resources and for the authorization if, when, and to the extent deemed desirable, of general increases in subscriptions. Also, the International Development Association may accept from any member supplementary resources in the currency of another member, provided the latter country does not object. While the Association has the power to borrow, it is not contemplated that there will be any issue of securities in the private market.

NEED FOR ESTABLISHING THE INTERNATIONAL DEVELOPMENT ASSOCIATION

On February 18, 1960, the President recommended to the Congress that legislation be enacted authorizing U.S. membership in the International Development Association. The President stated:

The less-developed countries need to secure from abroad large amounts of capital equipment to help in their development. Some part of this they can purchase with their current savings, some part they can borrow on conventional terms, and some part is provided by private foreign investors. But in many less-developed countries, the need for capital imports exceeds the amounts they can reasonably hope to secure through normal channels. The Association is a multilateral institution designed to provide a margin of finance that will allow them to go forward with sound projects that do not fully qualify for conventional loans.

On March 15, 16, and 17, 1960, public hearings on H.R. 11001 were held by your committee. Secretary of the Treasury Anderson, Under Secretary of State Dillon, and representatives of the AFL-CIO, the U.S. Chamber of Commerce, and the U.S. Council of the International

Chamber of Commerce testified in support of the bill. Mr. John J. McCloy, chairman of the board of the Chase Manhattan Bank, and a former President of the International Bank, and other prominent members of the banking profession also appeared and urged favorable action on the proposed legislation. In addition, statements and letters in support of the International Development Association were received from numerous farm organizations and religious groups.

In testifying before your committee in support of the legislation, the Secretary of the Treasury pointed out that:

While economic progress in the less-developed countries must come in large part from their own efforts, they need outside assistance in financing their imports of capital goods. With increasing productivity they will be in a better position to utilize and mobilize their own resources. * * * This means that the economically stronger countries of the free world must, individually and collectively, provide a share of the capital goods needed.

* * * * *

The IDA inaugurates a new phase in international financial help for the less-developed countries. We have recognized their need. We have recognized that many of them cannot develop their economies effectively unless they can obtain capital on terms which bear less heavily on their economies than the types of loans which are now available. In this cooperative venture, other countries will join with us. We feel that the economic development of the less developed countries must go on at a more rapid pace. This will be a source of hope to the peoples in these countries. It will serve to advance their economic life under free institutions, which we all desire. It is up to the United States to take the initial steps to bring this venture into active operation.

Under Secretary of State C. Douglas Dillon, addressing himself to the need for economic growth in the less-developed countries, stated:

Today, in a world community in which two-thirds of the world's people are striving to throw off the tyranny of poverty, disease, and illiteracy, it is imperative that all free nations help, lest these peoples, overwhelmed by massive problems, exchange the tyranny of poverty for the tyranny of the all-pervasive, all-controlling state. We, who value liberty, tolerance, and the free and open exchange of ideas, owe it to ourselves to enlarge the community of nations that can meet the aspirations of their peoples for economic and social betterment in an environment of freedom.

Your committee feels this statement takes on particular significance in the light of the present crisis in our international relations.

The existing international financial institutions are examples of successful cooperation among nations in the accomplishment of economic objectives, and so the cooperative nature of the IDA is, we believe, worthy of particular emphasis. The IDA will signify both the willingness and determination of other economically strong nations to join with this country in the task of providing development capital on more flexible terms. Further, the fact that the assisted nations will

contribute a portion of the resources and share in the management of the institution is an important aspect of the Association's structure, and will help develop a sense of participation and responsibility in those countries.

The peoples of the less-developed lands are in need. Depressed national economies create international tensions. The achievement of sound and sustainable economies in those lands is of vital importance to the free world and represents a significant step forward in the advancement of the cause of world peace. The International Development Association affords an opportunity to demonstrate that the other free nations are prepared to contribute to their development to help them go forward in freedom.

U.S. FINANCIAL PARTICIPATION

The U.S. subscription to the International Development Association is \$320,290,000, payable over 5 years. This represents 30 percent of the total capital and is comparable to the proportion of the capital of the International Bank subscribed by the United States. The initial payment of the United States will be \$73,666,700, and must be paid within 30 days after the Association begins operations. The agreement will enter into force when it has been signed by governments whose subscriptions aggregate 65 percent of total subscriptions, but not before September 15, 1960. In each of the subsequent 4 fiscal years the U.S. payment will be \$61,655,825. While the articles provide for a periodic review of the Association's resources, no additional U.S. subscription may be made without the approval of Congress. In addition, the United States may make available to the Association as supplementary resources currencies of other countries which it has acquired.

A primary aspect of U.S. interest in the Association has been the possibility of contributing local currencies accumulating under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480, 83d Cong., 2d sess.). If placed under the control of the Association, such currencies might well be of broader usefulness. The degree to which the United States might make such currencies available to the Association will depend on the future amounts and terms of Public Law 480 sales, among other factors. Nevertheless, the executive branch informally indicates that perhaps a 10-percent portion of any such sale might be so utilized with the consent of the country whose currency is involved. While the administration believes it technically has authority under Public Law 480 to provide foreign currencies to the IDA, it has submitted to Congress a proposed amendment to that statute to make the authorization explicit.

OPERATIONS

The operations of the Association are described in broad terms in its charter to give wide latitude to shape its financing to meet specific needs as they arise. In general, the International Development Association will make loans on terms which bear less heavily on the balance of payments of the borrower than is the case with conventional loans. The Association may make loans which are wholly or partly repayable in the borrower's own currency. Or, loans may be made payable

in the currency lent but for longer maturities or at lower interest rates than conventional loans.

The financing provided by the Association must be used to further development in the less developed areas of the world included within the Association's membership. Financing can thus be provided to less-developed member countries or to less-developed dependent and associated territories of members of the Association, but not to countries or their territories which are not members. Whenever financing is provided by the Association, it must be for purposes which are of high developmental priority in the light of the needs of the area or areas concerned, and, except in special circumstances, financing must be for specific projects. The Association will not provide financing if it concludes that such financing can be obtained from private sources on reasonable terms for the recipient. Private enterprises, as well as governments or public bodies, are eligible to receive financing from the Association. By ameliorating difficult financial and economic conditions in the less developed areas, the Association should contribute to a stronger economic base providing opportunities for further private capital investment, both domestic and foreign.

Witnesses before your committee discussed the probability of projects being financed jointly by resources from the IBRD and the IDA. In such circumstances, IDA would provide the added margin of capital, on flexible repayment terms, which will enable many worthwhile projects to go forward.

THE RELATIONSHIP OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION TO EXISTING LENDING INSTITUTIONS

The establishment of an International Development Association is predicated upon the recognition that the reasonable requirements in many of the less developed countries for development capital from an international source cannot be satisfied by existing lending institutions. Many countries are reaching the limit of their ability to service additional development loans in hard currencies. The IDA is specifically designed to fill existing needs. As was pointed out by numerous witnesses before your committee, there is no broadly based international institution which can help finance sound projects requiring a wide flexibility in repayment terms.

The International Bank for Reconstruction and Development now finances its operations almost entirely by borrowing in capital markets. Accordingly, its loans must carry rates of interest sufficient to cover the Bank's own interest and administrative costs and to provide reserves against the possibility of default. The Bank cannot prudently lend unless there is the probability that borrowers can service loans on the terms required by the conditions of the Bank's operations. It is of the utmost importance, however, that the International Development Association, while a distinct entity, will be an affiliate of the Bank so that the management and operations of the two institutions will be closely coordinated in the interest of achieving maximum efficiency. The utilization of the successful lending experience of the Bank will assure that similar requirements for loans from the IDA with respect to planning, engineering standards, and so forth, will be observed.

The Export-Import Bank makes development loans on terms comparable to those of the International Bank; its loans must be repaid in

dollars, and it too may make loans only where there is reasonable prospect that they may be serviced in the terms which the Bank can offer. The operations of IDA will not conflict with the operations of the International Bank or the Export-Import Bank or the private-capital market, since IDA will not make loans to countries or for projects which should properly be financed by these banks or the private-capital market. The size of IDA in itself, will mean that the resources of IDA will have to be reserved for those priority projects which cannot be financed on more conventional banking terms but will make a significant contribution to economic development. The possibility of "bad loans driving out good" has been recognized, and we have been assured it will be avoided by careful use of the limited resources of IDA and good judgment on the part of its management.

The Development Loan Fund, most of whose loans are repayable in the borrower's currency, does provide financing of a type similar to that in which the International Development Association will engage. Its resources are, of course, provided entirely by the United States. As Under Secretary Dillon observed, the United States must have economic instruments of its own which will be responsive to national needs and foreign policy considerations. In this connection, Mr. Dillon further stated:

The IDA can be most clearly grasped if it is thought of as an institution with the same basic purpose as the DLF but, by virtue of its international membership, one in which others can participate fully in doing the job that must be done. The IDA, like the U.S. Development Loan Fund, would provide growth capital for meritorious projects on terms that do not overburden the economies of the borrowers.

Your committee recognizes that the International Development Association is not large enough to meet all the demands of the less-developed countries. It is not designed to be a substitute for existing sources of capital. It will mobilize additional free world resources to contribute to the sound economic growth of the less-developed countries and provide a framework within which further efforts by the economically stronger countries may be undertaken.

U.S. participation in the operations of the International Development Association will require careful coordination with U.S. participation in other national and international institutions. The bill provides that the provisions of the Bretton Woods Agreements Act dealing with the responsibilities of the National Advisory Council on International Monetary and Financial Problems shall apply with respect to the Association to the same extent as with respect to the International Bank for Reconstruction and Development and the International Monetary Fund. Similar provisions exist in the legislation establishing the International Finance Corporation and the Inter-American Development Bank. The Bretton Woods Agreements Act set up the National Advisory Council to coordinate the policies and operations of the representatives of the United States on the Bank and the Fund and also agencies of the Government which make or participate in making foreign loans. Accordingly, the U.S. representatives on the Boards of the International Development Association will receive policy guidance from the National Advisory Council in the same manner as the U.S. representatives on the other international financial institutions. Further, it is noted that the U.S. Executive Director of the IDA would also be a member of the

Board of Directors of the Development Loan Fund. Through these coordinating mechanisms, the U.S. representatives can exercise an important influence toward insuring that the International Development Association is operated in harmony with the activities of other lending institutions and agencies.

ACTS REQUIRING APPROVAL OF CONGRESS

The bill contains essentially the same provisions as those contained in the Bretton Woods Agreements Act relative to certain actions which may not be taken by the President or any person or agency on behalf of the United States without specific congressional authorization. These acts are: (1) Subscription to additional funds under article III, section 1 of the articles; (2) acceptance of any amendment to the articles; and (3) any loan or other financing to the Association, except by a person or agency authorized by law to do so.

SECTION-BY-SECTION SUMMARY OF THE BILL, AS REPORTED

Section 1. The first section provides that the act may be cited as the International Development Association Act.

Section 2. The President is authorized, by section 2, to accept membership for the United States in the Association. The effect of this section is to give congressional approval to the articles of agreement proposed by the Executive Directors of the International Bank, establishing the International Development Association.

Section 3. This section provides that the U.S. Governor of the International Bank, the U.S. Executive Director of that Bank, and their alternates shall serve the new Association in corresponding capacities. This is required by the articles of agreement of the Association. The Governor and his alternate, who serve 5-year terms, and the Executive Director and his alternate, who serve 2-year terms, are nominated by the President and confirmed by the Senate. None of these officials may, under section 3(c) of the Bretton Woods Agreements Act, receive any compensation from the United States for their services in these capacities.

Section 4. This section provides that the coordinating responsibilities of the National Advisory Council on International Monetary and Financial Problems shall apply to the Association to the same extent as to the International Bank for Reconstruction and Development and the International Monetary Fund. The reporting requirements affecting the Association will be the same as those pertaining to the above-mentioned international financial institutions.

Section 5. Certain actions with respect to the Association, comparable to restrictions on actions with respect to the International Bank which were imposed under the Bretton Woods Agreements Act, are prohibited except with the authorization of Congress:

1. Any subscription by the United States to additional funds under article III, section 1, of the articles. That section provides that the Association shall periodically review the adequacy of its resources, and, if it deems desirable, shall authorize a general increase in subscriptions.

2. Acceptance of any amendment to the articles of agreement.

3. Any loan or financing by the United States to the Association, except by an agency of the United States authorized by law to make loans or provide other financing to international organiza-

tions. The provision means that the Association may borrow or receive funds from agencies of the United States only to the extent that agencies have been authorized by the Congress to provide such funds. The excepting clause does not confer upon any U.S. agency any authority it would not otherwise have and is intended to make clear that the prohibitory language does not in any way narrow, or preclude the use of, authority which any agency of the U.S. Government, including the President, possesses under other legislation to make loans or provide other financing to international organizations, including the International Development Association.

Section 6. The Federal Reserve banks are to act as depositories or fiscal agents for the Association, and in so acting, they will be supervised and directed by the Board of Governors of the Federal Reserve System.

Section 7(a). This section authorizes the appropriation, without fiscal year limitation, of \$320,290,000, the full amount of funds necessary to meet the subscription of the United States to the Association. This subscription is to be paid in five annual installments, pursuant to the provisions of article II, section 2, of the articles.

Section 7(b) authorizes the Secretary of the Treasury to issue to the Association non-interest-bearing, nonnegotiable demand notes in exchange for dollars paid in or payable to the Association and not needed in its operations. Such notes are authorized by section 2(e) of article II, and their issuance would reduce the interest cost to the United States in providing funds to the Association.

Section 8. Whenever the Association is a party to litigation brought in the United States, the district courts of the United States will have jurisdiction to try the case. This section also authorizes the removal of cases from a State court to a Federal court when the Association is a defendant.

Section 9. This section gives full force and effect in the United States, its possessions, and the Commonwealth of Puerto Rico to the provisions of the articles of agreement that confer upon the Association a legal status, and certain immunities and privileges, as follows:

1. The Association will have legal personality and the capacity to contract, to acquire and dispose of property, and to sue in our courts.

2. The Association will be subject to suit but will not be subject to having its property attached, except to execute a judgment.

3. The assets and archives of the Association will be free from all types of interference.

4. The official communications of the Association will be treated with the same respect as those of foreign governments.

5. The officials and employees of the Association will be given treatment substantially similar to that accorded to persons in the diplomatic service.

6. The Association will be immune from taxation and each official and employee will be immune from taxation on his salary or emoluments by any country other than his own. Any obligations of the Association will be protected against discriminatory taxation, but will have no special tax privilege.

The Association thus has the same legal status and immunities and privileges given to the International Bank under the Bretton Woods Agreements Act.

DISSENTING VIEWS OF WRIGHT PATMAN

This bill is, in effect, a distressed-areas bill for foreign countries. As one who has previously supported foreign aid and loan programs I appreciate both the reasoning and the motives of those Members of Congress who now support this legislation. In good conscience, however, I cannot agree to this bill, or to any similar proposal for establishing still another foreign lending agency. I cannot reconcile the totally different attitudes and policies of our Federal Government toward the economic problems of our own people and those of people in foreign lands.

Only a few days ago the President vetoed a distressed-areas bill which was intended to help spark economic recovery in the distressed areas of the United States. That bill proposed to use only \$251 million of Federal funds for this purpose. The present bill proposes to use another \$320 million of Federal funds for such purposes abroad.

Two years ago the President vetoed a similar bill to help distressed areas in the United States. Yet at that time our Government was already operating or contributing to four different agencies making foreign loans for economic development. Meanwhile the administration has requested Congress to authorize, and Congress has authorized, two additional agencies to make foreign loans for these purposes. This now gives us a total of six as follows:

- The Export-Import Bank of Washington.

- The International Bank for Reconstruction and Development (World Bank).

- The International Cooperation Administration.

- The Development Loan Fund.

- The International Finance Corporation.

- The Inter-American Development Bank.

This bill would establish still a seventh agency. In addition, there are at least 16 other foreign lending agencies in operation by the Western nations.

When this administration came into office there were already two foreign lending agencies. One, the Export-Import Bank, operates exclusively on U.S. funds and is under the exclusive control of the U.S. Government. The other, the International Bank for Reconstruction and Development (the World Bank), provided a means for our cooperation in an international agency, under international control, in making economic development loans abroad. Yet the administration has asked Congress to approve new foreign lending agencies, and the Congress has approved them, at the rate of better than one new agency every 2 years.

The new agencies were not intended to replace, and have not replaced, the old agencies. Rather, the purpose of each new agency is to do more or less the same things the older agencies were already doing, and are still doing. The principal justification which has been advanced for each new agency is that a new agency was considered to be needed to make "softer" loans than the previously existing

agencies were making. This process has long since reached a point where it would be difficult to imagine that softer loans could be made. Yet the same justification is now advanced for this bill. The World Bank is already authorized to make loans for any and all kinds of economic development, in any and all countries of the world that wish to join the Bank. This bill is to establish a new international authority to make "softer" loans for the same purposes. It anticipates that foreign loans for economic development will be made for long terms, at low interest rates, and with repayment, if any, to be made in local currencies.

There is no agency and no money for doing for our own people what any of these foreign lending agencies are doing for people abroad. I do not argue that charity should begin at home. But it does seem to me that if such assistance as all of these foreign lending agencies are providing for people abroad is based upon sound economics, such assistance for our own people is equally sound economics. Alternatively, if this Nation cannot afford the money to help distressed areas at home, we cannot afford the money to help distressed areas abroad.

As has been indicated, this bill would provide a program of foreign lending in cooperation with, and in coordination with, other friendly nations able to contribute funds for this purpose. In this respect the bill is good. Yet the need is not, as I see it, for still another lending agency. Rather the need is for a consolidation of lending programs and a cooperative endeavor to develop a rational plan of economic development. If our efforts are to be effective in raising living standards in the underdeveloped countries, they must, I think, plan for trade as well as local productive resources.

H. R. 11001

[Report No. 1766]

IN THE HOUSE OF REPRESENTATIVES

MARCH 9, 1960

Mr. SPENCE introduced the following bill; which was referred to the Committee on Banking and Currency

JUNE 8, 1960

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To provide for the participation of the United States in the International Development Association.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SHORT TITLE

4 SECTION 1. This Act may be cited as the "Interna-
5 tional Development Association Act".

6 ACCEPTANCE OF MEMBERSHIP

7 SEC. 2. The President is hereby authorized to accept
8 membership for the United States in the International De-
9 velopment Association (hereinafter referred to as the "Asso-
10 ciation"), provided for by the Articles of Agreement (here-
11 inafter referred to as the "Articles") of the Association de-

1 posited in the archives of the International Bank for Recon-
2 struction and Development.

3 GOVERNOR, EXECUTIVE DIRECTOR, AND ALTERNATES

4 SEC. 3. The Governor and Executive director of the In-
5 ternational Bank for Reconstruction and Development, and
6 the alternate for each of them, appointed under section 3 of
7 the Bretton Woods Agreements Act, as amended (22 U.S.C.
8 286a) , shall serve as Governor, Executive Director and alter-
9 nates, respectively, of the Association.

10 NATIONAL ADVISORY COUNCIL ON INTERNATIONAL

11 MONETARY AND FINANCIAL PROBLEMS

12 SEC. 4. The provisions of section 4 of the Bretton
13 Woods Agreements Act, as amended (22 U.S.C. 286b) ,
14 shall apply with respect to the Association to the same ex-
15 tent as with respect to the International Bank for Recon-
16 struction and Development and the International Monetary
17 Fund. Reports with respect to the Association under para-
18 graphs (5) and (6) of subsection (b) of section 4 of said
19 Act, as amended, shall be included in the first report made
20 thereunder after the establishment of the Association and
21 in each succeeding report.

22 CERTAIN ACTS NOT TO BE TAKEN WITHOUT

23 AUTHORIZATION

24 SEC. 5. Unless Congress by law authorizes such action,
25 neither the President nor any person or agency shall, on be-

1 half of the United States, (a) subscribe to additional funds
2 under article III, section 1, of the articles; (b) accept any
3 amendment under article IX of the articles; or (c) make a
4 loan or provide other financing to the Association, except
5 that loans or other financing may be provided to the Asso-
6 ciation by a United States agency created pursuant to an Act
7 of Congress which is authorized by law to make loans or
8 provide other financing to international organizations.

9 DEPOSITORIES

10 SEC. 6. Any Federal Reserve bank which is requested
11 to do so by the Association shall act as its depository or as
12 its fiscal agent, and the Board of Governors of the Federal
13 Reserve System shall supervise and direct the carrying out
14 of these functions by the Federal Reserve banks.

15 PAYMENT OF SUBSCRIPTIONS

16 SEC. 7. (a) There is hereby authorized to be appro-
17 priated, without fiscal year limitation, for the subscription of
18 the United States to the Association, \$320,290,000.

19 (b) For the purpose of keeping to a minimum the cost
20 to the United States of participation in the Association, the
21 Secretary of the Treasury, after paying the requisite part of
22 the subscription of the United States in the Association re-
23 quired to be made under the articles, is authorized and di-
24 rected to issue special notes of the United States from time to

1 time, at par, and to deliver such notes to the Association in
2 exchange for dollars to the extent permitted by the articles.
3 The special notes provided for in this subsection shall be
4 issued under the authority and subject to the provisions of the
5 Second Liberty Bond Act, as amended, and the purposes
6 for which securities may be issued under that Act are ex-
7 tended to include the purposes for which special notes are
8 authorized and directed to be issued under this subsection,
9 but such notes shall bear no interest, shall be nonnegotiable,
10 and shall be payable on demand of the Association. The face
11 amount of special notes issued to the Association under the
12 authority of this subsection and outstanding at any one time
13 shall not exceed, in the aggregate, the amount of the sub-
14 scription of the United States actually paid to the Association
15 under the articles.

16 (c) Any payment made to the United States by the
17 Association as a distribution of net income shall be covered
18 into the Treasury as a miscellaneous receipt.

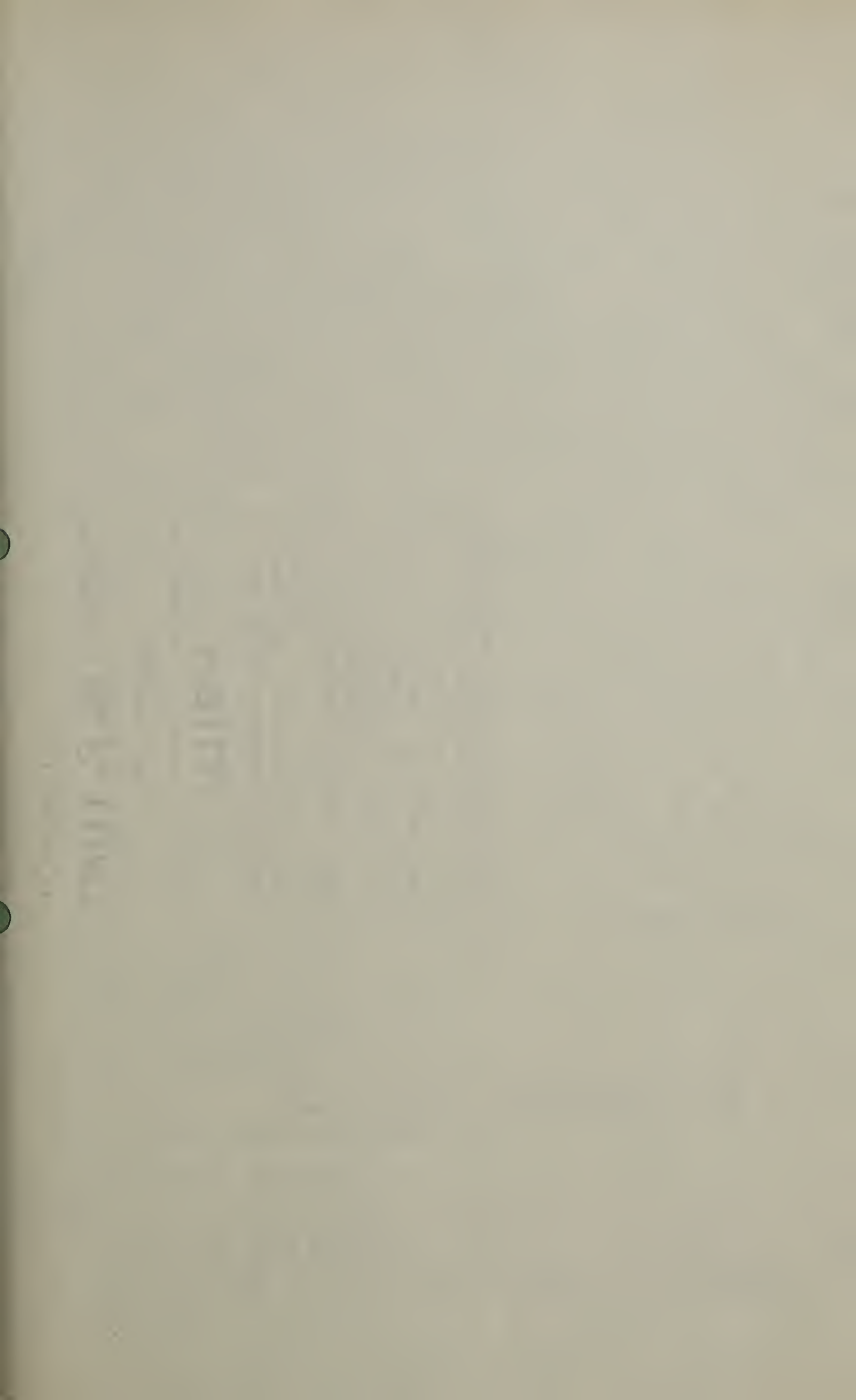
19 JURISDICTION AND VENUE OF ACTIONS

20 SEC. 8. For the purpose of any action which may be
21 brought within the United States, its possessions, or the
22 Commonwealth of Puerto Rico, by or against the Association
23 in accordance with the articles, the Association shall be
24 deemed to be an inhabitant of the Federal judicial district
25 in which its principal office in the United States is located,

1 and any such action at law or in equity to which the Asso-
2 ciation shall be a party shall be deemed to arise under the
3 laws of the United States, and the district courts of the
4 United States shall have original jurisdiction of any such
5 action. When the Association is a defendant in any such
6 action, it may, at any time before the trial thereof, remove
7 such action from a State court into the district court of the
8 United States for the proper district by following the pro-
9 cedure for removal of causes otherwise provided by law.

10 STATUS, IMMUNITIES, AND PRIVILEGES

11 SEC. 9. The provisions of article VII, section 5 (d) , and
12 article VIII, sections 2 to 9, both inclusive, of the articles
13 shall have full force and effect in the United States, its pos-
14 sessions, and the Commonwealth of Puerto Rico, upon
15 acceptance of membership by the United States in, and the
16 establishment of, the Association.



86TH CONGRESS
2D Session

H. R. 11001

[Report No. 1766]

A BILL

To provide for the participation of the United States in the International Development Association.

By Mr. SPENCE

MARCH 9, 1960

Referred to the Committee on Banking and Currency

JUNE 8, 1960

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

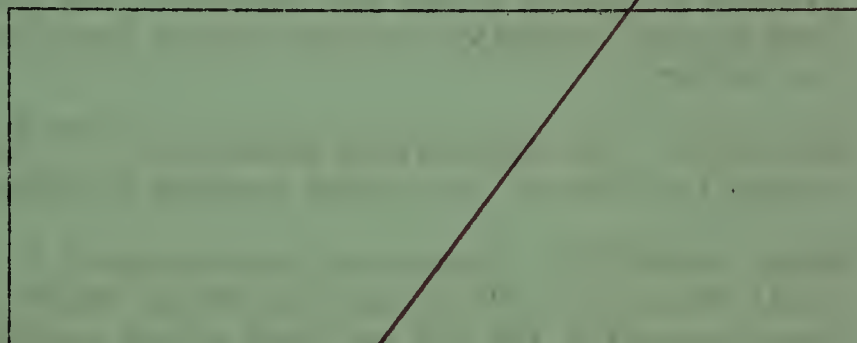
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS
(See page 6)

Issued June 23, 1960
For actions of June 22, 1960
66th-2d, No. 115



HIGHLIGHTS: House debated Poage farm bill. House committee reported bill to extend Mexican farm labor program. House passed bill for temporary exemptions from humane slaughter regulations. House committee reported bill to raise minimum wage level. Senate passed: Independent offices appropriation bill; general Government matters appropriation bill. Senate committee reported bill to accelerate reforestation. Sen. Humphrey criticized administration's farm program. Sen. Murray submitted and discussed measure to establish World Food Bank. Rep. Wolf introduced and discussed feed grains bill.

HOUSE

1. FARM PROGRAM. Continued debate on H. R. 12261, the Poage farm bill (pp. 12827-49). Agreed to, 68 to 23, an amendment by Rep. Andersen, as amended by an amendment by Rep. Wolf, to strike out title II of the bill relating to feed grains and inserted the language of his green acres proposal (H. R. 12000) to require, after approval in a nationwide referendum, that feed grain producers place 20 percent of their cropland in grass, hay, or pasture, to provide for payment-in-kind out of Government surpluses to producers who agree to retire their farm land, and to provide price supports on feed grains at not less than 80 percent for the 1961 and 1962 crops, at not less than 85 percent for the 1963 and 1964 crops, and at 90 percent for the 1965 and subsequent crops (pp. 12844-49). Rep. Wolf's amendment to the amendment, agreed to by a vote of 61 to 29, provides feed grain price supports at not less than 80 percent for the 1961 and 1962 crops (rather than at not less than 75 percent)(pp. 12845-48). Rep. Andresen's amendment was a substitute amendment for an amendment proposed by Rep. Quie which he explained would have provided "that a farmer who reduced his feed grain acres by between 10 and 50 percent voluntarily would be able to receive payment in kind (pp. 12843-49).

Rejected the following amendments:

By Rep. Quie, 50 to 68, to permit all wheat producers who would be subject to quota under subtitle A of the bill to vote in the wheat referendum on whether they desire to be under subtitle A or subtitle B. He explained that the effect of the proposed amendment "would allow about 70 percent of the wheat farmers to vote who are not allowed to vote under the present wording of the bill." (pp. 12827-9)

By Rep. Thomson to strike out section 101 (the first of the sections relating to wheat) of the bill, stating that if this amendment was agreed to he would offer additional amendments to strike out all sections of the bill except the section providing for the elimination of acreage allotments on wheat. pp. 12829-32

By Rep. Laird to extend the conservation reserve program for 3 additional years, increase the authorization for a 65 million acre program, provide a payment in kind for wheat and feed grains under the program, limit payments under the program to \$7,500 to any one producer, and limit to 25 percent the amount of land in any community or county which could be devoted to the program. pp. 12832-43

2. FARM LABOR. The Agriculture Committee ^{reported} without amendment H. R. 12759, to extend the Mexican farm labor program (H. Rept. 1954). p. 12860
3. HUMANE SLAUGHTER. Passed with an amendment H. R. 12705, to extend for 60 days, until August 30, 1960, the time during which slaughterers and processors, who have contracted for the purchase of the equipment necessary to enable them to comply with the provisions of the Humane Slaughter Act, may have to comply with the provisions of the Act (p. 12826). The bill had been reported without amendment earlier by the Agriculture Committee (H. Rept. 1937)(pp.12859-60).
4. MINIMUM WAGE. The Education and Labor Committee reported without amendment H. R. 12677, to raise the minimum wage to \$1.25 an hour (H. Rept. 1933). p. 12859
5. PERSONNEL; RETIREMENT. Concurred in the Senate amendments to H. R. 8241, to amend the Civil Service Retirement Act relating to the reemployment of former Members of Congress in other Federal positions. This bill will now be sent to the President. pp. 12775-7
6. LANDS. The Interior and Insular Affairs Committee voted to report (but did not actually report) the following bills: (p. D595)
 - H. R. 10418, with amendment, to revise the boundaries of the Coronado National Memorial in Ariz.;
 - H. R. 11200, with amendment, to authorize the Secretary of the Interior to sell reserved mineral interests of the U. S. in Fla. to the record owners of the surface of the land;
 - H. R. 11957, with amendment, to facilitate the selection by Alaska of certain public lands under outstanding mineral lease or permit.
7. RADIOACTIVITY; TRANSPORTATION. The Judiciary Committee voted to report (but did not actually report) with amendment S. 1806, to revise the "Explosives and Combustibles" transportation chapter of the Criminal Code so as to include the transportation of radioactive materials and etiologic agents as an illegal act. p. D595
8. FARM-CITY WEEK. The "Daily Digest" states the Judiciary Committee "tabled, H. J. Res. 758 and 759, identical bills, designating the week of November 18-24, 1960, as National Farm City Week." p. D596
9. FOREIGN AID. The Rules Committee granted an open rule with 2 hours debate on H. R. 11001, to provide for U. S. participation in the International Development Association. p. D596

June 25, 1960

of suitable color additives in or on food, drugs, and cosmetics in accordance with regulations prescribing the conditions under which such additives may be safely used (pp. 13298-322). This action was subsequently vacated by the passage of S. 2197, the Senate bill, amended to contain the language of the House bill as amended, and the House bill was laid on the table (pp. 13322-8). The amendments made on the floor were technical amendments. p. 13302

5. WHEAT. Rep. Dixon criticized members of the House Agriculture Committee as being responsible for failure of the House to pass wheat legislation, stating that the Senate wheat bill was a superior bill and should have been acted on rather than the Poage bill. pp. 13343-4
6. WOOL. Agreed to the conference report on H. R. 9322, to make permanent the existing suspension of duties on certain coarse wool (p. 13271). This bill will now be sent to the President.
7. CASEIN. Agreed to the conference report on H. R. 9862, to extend until June 30, 1963, the temporary suspension of duties on imported casein (p. 13272). This bill will now be sent to the President.
8. VETERANS' BENEFIT. The Rules Committee reported a closed rule for consideration of H. R. 7903, to extend the veterans' guaranteed and direct loan programs for 2 years. p. 13347
9. PERSONNEL. Agreed to the conference report on H. R. 9881, to extend until July 1, 1962, the temporary suspension of duty on personal and household effects brought into the U. S. under Government orders (p. 13271-2). This bill will now be sent to the President.
Passed as reported S. 2857, to amend the Civil Service Retirement Act so as to provide for refunds of contributions in the case of annuitants whose length of service exceeds the amount necessary to provide the maximum annuity allowable under such Act. pp. 13270-1
The Rules Committee reported an open rule for the consideration of H. R. 12383, to amend the Federal Employees' Compensation Act to make benefits more realistic in terms of present wage rates. p. 13347
10. MINERALS. Disagreed to the Senate amendments to H. R. 10455, to amend the Mineral Leasing Act of Feb. 25, 1920, and conferees were appointed (p. 13281). Senate conferees have been appointed.
Began debate on H. R. 8860, to stabilize the mining of lead and zinc by small domestic producers on public, Indian, and other lands (pp. 13282-98). On an objection by Rep. Kyl, the final vote on passage was deferred until Mon., June 27.
11. INDEPENDENT OFFICES APPROPRIATION BILL, 1961. Disagreed to Senate amendments to this bill, H. R. 11776, and conferees were appointed (p. 13281). Senate conferees have been appointed.
12. PUBLIC DEBT. Received the conference report on H. R. 12381, to extend for 1 year the public debt limit and the existing corporate normal-tax rate and certain excise-tax rates (H. Rept. 2005). pp. 13344-6
13. FOREIGN AFFAIRS. The Rules Committee reported an open rule for consideration of H. R. 11001, to provide for the participation of the U. S. in the International Development Association. p. 13347
14. ADJOURNED until Mon., June 27. p. 13347

ITEMS IN APPENDIX

55. FOOD PRICES. Extension of remarks of Rep. Quie inserting an article, "You Can't Blame Farmers for High Food Prices." p. A5453
56. EXPENDITURES; BUDGET. Extension of remarks of Rep. Taber inserting a letter from the Director of the Budget "showing that the new and unnecessary appropriations pending for back door expenditures would if passed exceed the budget by over \$10 billion." pp. A5467-8
57. FOOD FOR PEACE. Extension of remarks of Sen. Keating inserting an editorial expressing support for Vice President Nixon's food-for-peace proposal. p. A5479
Rep. Curtis, Mo., inserted an article, "Where Mr. Nixon Stands." pp. A5487-8
58. FARM LABOR. Sen. Javits inserted a New York City church resolution favoring the enactment of legislation relating to aid to migrant workers and their children. p. A5480
Rep. Gubser inserted an editorial, "The Bracero Story -- Growers Tell Their Side." pp. A5490-1
59. ITEM VETO. Rep. Schwengel inserted two editorials favoring item veto authority for the President. p. A5491
60. FARM PROGRAM. Extension of remarks of Rep. Ullman inserting an article, "Agricultural Abundance An Asset," and stating that it "highlights an aspect of our farm program that is rendering a real service to America and the world." pp. A5456-7
Extension of remarks of Rep. Levering stating that "I believe it is most regrettable that the House failed to approve farm legislation ..." and that "with all the imperfections which it contained, the legislation voted down was at least a step in the right direction ..." pp. A5457-8
Extension of remarks of Rep. Berry discussing the failure of passage of the wheat bill and stating that "American agriculture is sick, not because of American agricultural overproduction, but because of oversupply, and that oversupply has resulted and will continue to result from excessive imports." pp. A5458-60
Rep. Bonner inserted the statement of a Future Farmer of America about the modern farmer. p. A5473
Reps. Rees and Dorn inserted a statement of the American National Cattlemen's Association to be submitted to the platform committees of the Republican and Democratic Parties in their July conventions. pp. A5498-9, A5515
Extension of remarks of Rep. Hoeven stating that "the failure of the House of Representatives to accept the Senate wheat bill fixes the responsibility on the shoulders of the Democratic Members of the House," and inserting an article, "Failure on Wheat." pp. A5499-500
Extension of remarks of Rep. Pillion inserting the tabulated results of replies to his questionnaire, including four questions on agricultural problems. p. A5509
61. TERRITORIES AND POSSESSIONS. Extension of remarks of Rep. Saylor urging Congress to begin thinking about advancing those "few small islands ... left in a non-self-governing status ... to full self-government," and insertion of a report making recommendations on how this might be accomplished. pp. A5500-2

CONSIDERATION OF H.R. 11001

JUNE 25, 1960.—Referred to the House Calendar and ordered to be printed

Mr. MADDEN, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 571]

The Committee on Rules, having had under consideration House Resolution 571, report the same to the House with the recommendation that the resolution do pass.



House Calendar No. 258

86TH CONGRESS
2D SESSION

H. RES. 571

[Report No. 1991]

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 1960

Mr. MADDEN, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the Union
4 for the consideration of the bill (H.R. 11001) to provide
5 for the participation of the United States in the Interna-
6 tional Development Association. After general debate,
7 which shall be confined to the bill, and shall continue not to
8 exceed two hours, to be equally divided and controlled by
9 the chairman and ranking minority member of the Committee
10 on Banking and Currency, the bill shall be read for amend-
11 ment under the five-minute rule. At the conclusion of the
12 consideration of the bill for amendment, the Committee

1 shall rise and report the bill to the House with such amend-
2 ments as may have been adopted, and the previous question
3 shall be considered as ordered on the bill and amendments
4 thereto to final passage without intervening motion except
5 one motion to recommit.

House Calendar No. 258

86TH CONGRESS
2D Session

H. RES. 571

[Report No. 1991]

RESOLUTION

Providing for the consideration of H.R. 11001,
a bill to provide for the participation of the
United States in the International Develop-
ment Association.

By Mr. MADDEN

JUNE 25, 1960

Referred to the House Calendar and ordered to be
printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued June 29, 1960
For actions of June 28, 1960
86th-2d, No. 120

CONTENTS

Access roads.....	9,14
Acreage allotments.....	50
Air pollution.....	21
Appropriations.....	3,12
Banking.....	26
CCC.....	48
Centennial celebration.....	28
Common carriers.....	28
Cotton.....	38
Debt limit.....	27
Defense production.....	2
Depressed areas.....	4,51
Education.....	45
Electrification.....	37
Employment.....	45
Farm labor.....	1
Farm program.....	31,36
Flood control.....	8
Food for peace.....	28
Food stamp.....	28
Foreign affairs.....	4
Foreign aid.....	39,43
Forestry.....	23
Freight forwarders.....	28
Fruits.....	24
Futures trading.....	41
Grains.....	48
Hardwood.....	28
Hawaii.....	17

Housing.....	10
Imports.....	38
Labor standards.....	49
Lands.....	9,14,28,44
Loans.....	28
Marketing.....	30
Military construction.....	3
Milk.....	28
Minerals.....	9
Minimum wage.....	7
Nominations.....	13
Onions.....	41
Per diem.....	28
Personnel.....	6,15,28,34,47
Pesticides.....	42
Postal service.....	33
Property.....	18
Public works.....	20
Radio spectrum.....	46
Recreation.....	22
Reorganization.....	28
Roads.....	9,14,32
Ryukyu Islands.....	25
Soil bank.....	50
Sugar.....	11
Taxation.....	27
Textiles.....	29
Trademarks.....	19
U. S. obligations.....	26
Veterans' benefits.....	16
Water resources.....	40
Weather.....	5
Wheat.....	36
Wildlife.....	35

HIGHLIGHTS: House debated bill to extend Mexican farm labor program. House concurred in Senate amendment to bill to extend Defense Production Act. House Rules Committee cleared bill to amend Fair Labor Standards Act. Sen. Yarborough urged reduction in Cuban sugar quota. Senate received nomination of Carl J. Stephens to be USDA General Counsel.

HOUSE

1. **FARM LABOR.** Began debate on H. R. 12759, to extend the Mexican farm labor program for 2 years, until June 30, 1963 (pp. 13740-50). The "Daily Digest" states that further action on the bill was deferred until Wed., June 29 (p. D628).

Rep. Lane urged enactment of legislation to provide for a reduction in the importation of Mexican contract labor over a 5-year period, calling this program a "cruel exploitation of labor." p. 13751

2. **DEFENSE PRODUCTION.** Agreed to the Senate amendment to H. R. 12052, to extend for 2 years the Defense Production Act. (p. 13699) This bill will now be sent to the President.

3. **MILITARY CONSTRUCTION.** Disagreed to the Senate amendments to H. R. 12231, the military construction appropriation bill for 1961, and House conferees were

appointed (p. 13704). Senate conferees have already been appointed.

4. FOREIGN AFFAIRS. Debated H. R. 11001, to provide for the participation of the U. S. in the International Development Association (pp. 13710-12, 13712-33). Under a unanimous-consent agreement the vote on passage of the bill was deferred until Wed., June 29 (p. 13733). Rejected, by a vote of 48 to 61, an amendment by Rep. Gross to make depressed areas in the U. S. eligible for loans under this program (p. 13730).
5. WEATHER. Both Houses received from the President the "First Annual Report on Weather Modification (for fiscal year 1959)" (H. Doc. 438). pp. 13595, 13712
6. PERSONNEL. Regarding pay increase legislation for classified employees, Rep. Lesinski stated "the pay increases to classified and postal employees of the Federal Government have been much less than that granted to military personnel," and "I find it most difficult to understand why the administration is now opposed to a pay increase for the other half of the Federal Government personnel." pp. 13764-5
7. MINIMUM WAGE. The Rules Committee reported a rule for the consideration of H. R. 12677, to increase the minimum wage to \$1.25 and to extend the coverage under the Fair Labor Standards Act. p. 13770
Rep. Roosevelt inserted a section-by-section analysis of the minimum wage bill above. pp. 13754-6
8. FLOOD CONTROL. Rep. Clark stated that he was "dismayed at the length of time it has taken to get action" on the omnibus rivers and harbors and flood control bill, and "the fact that it now faces a possible Presidential veto." He urged conferees to report a bill which will be approved by the President. pp. 13761-2
9. LANDS. The Interior and Insular Affairs Committee reported with amendment H. R. 10418, to revise the boundaries of the Coronado National Memorial and to authorize the repair and maintenance of an access road thereto (H. Rept. 2022), with amendment H. R. 11200, to authorize the Secretary of the Interior to sell reserved mineral interests of the U. S. in lands located in the State of Florida to the record owners of the surface (H. Rept. 2024), and, with amendment H. R. 11957, to facilitate the selection by Alaska, pursuant to the Act of July 7, 1958, of certain public lands under outstanding mineral lease or permit (H. Rept. 2017). p. 13770
10. HOUSING. The "Daily Digest" states that the Rules Committee denied a rule on H. R. 12603, the omnibus housing bill. p. D629

SENATE

11. SUGAR. Sen. Yarborough discussed Cuban-American relations, and urged "the administration to take firm steps to allocate more of the American sugar quota to the American farmer and to establish new quotas which will not to a substantial degree leave supply of this vital commodity" to the actions of the Cuban Government. pp. 13664-5
12. LEGISLATIVE BRANCH APPROPRIATION BILL, 1961. Agreed to a motion by Sen. Stennis to insist on the two remaining Senate amendments in disagreement on this bill, H. R. 12232. Conferees were appointed on the two amendments in disagreement. p. 13678

the Governor of the Panama Canal Zone. I would like to add my word of commendation to that of the gentleman from Pennsylvania and the gentleman from Ohio. I have studied his work in the Panama Canal Zone. I think he has been an outstanding Governor. I express my regret that this administration did not see fit to continue his appointment in this field of public service.

Mr. BOW. I agree completely with the gentleman.

In conclusion, I urge my colleagues to support this work. This is a fine laboratory. But, there is also a fine laboratory and school for the study of tropical diseases and medicines in Puerto Rico. They have made a great contribution in this field.

I am not opposed to this bill; I will support the bill, but I do hope that in the future we can coordinate these activities and perhaps save the taxpayers' dollars, if we have the organizations working in the same field under the jurisdiction of one committee instead of several.

Mr. JUDD. Mr. Chairman, I yield myself one-half minute to call attention to the fact that one of the members of the board of directors of the Gorgas Memorial Institute of Tropical and Preventive Medicine is the Honorable SAM RAYBURN, Speaker of the House of Representatives.

Mr. Chairman, I yield 5 minutes to the gentleman from Iowa [Mr. GROSS].

Mr. GROSS. Mr. Chairman, the first question I should like to ask concerning the bill is how much we are spending through the United Nations and various inter-American organizations on health measures in this area of the world? Does anyone have any idea how many millions of dollars we are already spending?

Mr. JUDD. I cannot give the gentleman the figure right now, but I can get it for him. There are two main organizations, the Pan American Sanitary Bureau, now called the Pan American Health Organization, and the World Health Organization. There is also some health work under UNICEF, the United Nations International Children's Emergency Fund which deals with health problems of children.

Mr. GROSS. But the fact is that through these various health services, we are already contributing millions of dollars annually. Is that not correct?

Mr. JUDD. I cannot give you the figure but whatever we have spent on health, it has brought us greater returns than almost anything else for which we spend money.

This is the day when we are not isolated by 3,000 miles of ocean. People leave with a disease, and they are here in 8 to 12 hours. The incubation period may be from 1½ days to 3 weeks. People leave in good health, and they land in the United States a week or so later and they come down with this, that, or the other disease. It would spread in our country and, therefore, it is important to protect the American people to have health operations go on in all these areas from which persons in-

oculated or infected with it might bring the disease into the United States.

Mr. GROSS. Is the gentleman saying we should all have something on the order of fallout shelters or caves so we can isolate ourselves from all foreigners who come to this country?

Mr. JUDD. Not all foreigners. Actually, it is not so much foreigners who bring these diseases in as it may be Americans returning from abroad. Many of the nationals of those countries have been subjected to the diseases in repeated small exposures and they have developed immunity to them. But when Americans go there who have never been exposed to the diseases and come down with one of them, it is much more likely to be fatal, or in a more violent form and more communicable to Americans here.

I now have the figures the gentleman referred to. The budget of the World Health Organization is about \$16 million for the whole world, of which the United States puts up about 31 percent.

Mr. GROSS. I understand that some of the fast-traveling Members of Congress touring the world have come back with serious cases of dysentery. I do not know whether that is contagious or not.

Mr. JUDD. They did not travel fast enough to miss it.

Mr. FASCELL. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Florida.

Mr. FASCELL. Did I understand the distinguished gentleman from Iowa to be advocating a national plan of atomic fallout shelters?

Mr. GROSS. No. I was suggesting that maybe we ought to have underground shelters so we could all dive into them when a foreigner appeared on the scene with the appearance of having some disease. I did not know until this afternoon that it is the menace some people would make it. By the way, what happened to the story we heard last year that \$250,000 would be ample for this laboratory?

Mr. SELDEN. I attempted to explain that in my opening remarks. When the bill came over from the Senate last year it had no limitation on the amount that could be spent. Since this bill was considered during the closing days of the session, we called in several directors of the Institute and asked them to give us an estimate of the amount needed. Those estimates ranged from \$250,000 to \$500,000. We selected the lowest figure, \$250,000.

Since the passage of the bill last year, an architect has gone to Panama and has submitted a detailed estimate. We have reviewed the figures submitted, and we think \$500,000 is a reasonable amount. Therefore, this bill will increase the authorization to \$500,000.

Mr. GROSS. In the meantime, as usual, somebody hired a consultant or consultants and sent them to Panama. They came back with the answer that somebody wanted. Now there is another \$250,000, or a total of a half million dollars involved in this thing. That usually happens when the Government hires consultants. The spending is usually doubled.

Mr. SELDEN. After carefully reviewing the estimates submitted, the Committee on Foreign Affairs concluded that \$500,000 was reasonable for construction of the proposed building.

Mr. GROSS. A 100 percent increase in less than a year is a pretty fair increase.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. JUDD. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. GROSS. Mr. Chairman, I do not like the idea of expanding any facilities in the Republic of Panama in view of the scurrilous and profane cartoons that appeared in the newspapers of Panama a few months ago demanding that Americans get out of that country.

I do not know what we are going to do if the Panamanians make conditions so onerous for Americans in the Republic of Panama that they cannot operate the laboratory. Then our investment will have gone down the drain.

Will the gentleman from Alabama agree if that happens we have lost everything?

Mr. SELDEN. Let me say to the gentleman from Iowa that there certainly was no evidence submitted to the committee that would indicate that working conditions in that laboratory for our people have not been excellent. By defeating this bill, the gentleman from Iowa would not accomplish the purpose that he seeks. However, defeat of this measure would jeopardize future research in tropical diseases which might benefit not only the people of this country but all mankind.

Mr. JUDD. Mr. Chairman, I yield myself 1 minute to make this additional statement. It so happens that there is on the floor of the House with us today, under the rules of the House, the very distinguished former Member of Congress from Kentucky who introduced in 1928 and sponsored to its passage the original bill which established the Gorgas Memorial Institute about which we are talking. He had been a close personal coworker of General Gorgas, and he has had his heart in this fine institution all of these years. He testified convincingly before our committee as to the value and the importance of it. I want to pay tribute to him also as the only surviving member of the Isthmian Canal Commission which had charge of the building of the Panama Canal. It was this Commission under General Gorgas which succeeded in organizing and carrying through the construction of the canal when others had failed. We all want, I know, to compliment and honor the distinguished gentleman from Kentucky, the Honorable Maurice H. Thatcher. It was our misfortune that none of us was privileged to serve with him, but we welcome him back today and wish him many more years of happy and useful life.

The CHAIRMAN. The time of the gentleman from Minnesota has expired. All time has expired.

The Clerk will read the bill for amendment.

The Clerk read the bill, as follows:
Be it enacted by the Senate and House of Representatives of the United States of

America in Congress assembled, That section 4 of the Act entitled "An Act to authorize a permanent annual appropriation for the maintenance and operation of the Gorgas Memorial Laboratory", approved May 7, 1928, as added by section 2 of the Act of September 21, 1959 (Public Law 86-296; 73 Stat. 573), is amended by striking out "\$250,000" and by inserting in lieu thereof "\$500,000".

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. HOLIFIELD, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 11123) to increase the authorization of appropriations for construction and equipment of facilities for the Gorgas Memorial Laboratory, pursuant to House Resolution 557, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

Mr. SELDEN. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 3179) to increase the authorization for appropriations for construction of facilities for the Gorgas Memorial Laboratory.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The Clerk read the Senate bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4 of the Act of May 7, 1928, as added by section 2 of the Act of September 21, 1959 (73 Stat. 573), is amended by striking out "\$250,000" and inserting in lieu thereof "\$500,000".

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A similar House bill (H.R. 11123) was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. SELDEN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

AMENDING FEDERAL AVIATION ACT OF 1958

Mr. WILLIAMS submitted the following conference report and statement on the bill (H.R. 4049) to amend the Federal Aviation Act of 1958 in order to au-

thorize free or reduced-rate transportation for certain additional persons:

CONFERENCE REPORT (H. REPT. No. 2018)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4049) to amend the Federal Aviation Act of 1958 in order to authorize free or reduced-rate transportation for certain additional persons, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows: Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 2, line 1, of the House engrossed bill, immediately after "employees" and before the parenthesis, insert the following: "who are receiving retirement benefits from any air carrier or foreign air carrier"; and the Senate agree to the same.

Amendment numbered 2: That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows: In the matter proposed to be inserted by the Senate amendment insert, on page 1, line 5, of the Senate engrossed amendments, immediately before "result", the following: "direct"; and the Senate agree to the same.

Amendment numbered 3: That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same.

Amendment numbered 4: That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "prescribe"; and the Senate agree to the same.

JOHN BELL WILLIAMS,
MORGAN M. MOULDER,
JOHN JARMAN,
STEVEN B. DEROUNIAN,
J. ARTHUR YOUNGER,

Managers on the Part of the House.

MIKE MONRONEY,
CLAIR ENGLE,
(By MIKE MONRONEY),
E. L. BARTLETT,
ANDREW F. SCHOEPPPEL,
THRUSTON B. MORTON,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4049) to amend the Federal Aviation Act of 1958 in order to authorize free or reduced-rate transportation for certain additional persons, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: The House bill provided that air carriers and foreign air carriers subject to terms and conditions prescribed by the Civil Aeronautics Board, could furnish free or reduced-rate air transportation to their retired directors. The Senate amendment provided that only those retired directors who had served as directors at least 5 years could be furnished such free or reduced-rate transportation.

The committee of conference agreed to limit the granting of free or reduced-rate air transportation to those directors who are receiving retirement benefits from any air carrier or foreign air carrier.

The qualification of receiving retirement benefits from any air carrier or foreign air carrier will also apply to retired officers and employees.

Amendment No. 2: The Senate amendment provided that air carriers and foreign air carriers could furnish free or reduced-rate air transportation to the widow, widower, and minor child or children of any employee of any air carrier or foreign air carrier who died as a result of a personal injury sustained while in the performance of duty in the service of such air carrier or foreign air carrier. There was no similar provision in the House bill.

The conference agreement modifies the Senate amendment by providing that such free or reduced-rate transportation may be furnished only if the death of the employee concerned is a direct result, rather than an indirect result, of the personal injury sustained by such employee while in the performance of duty in the service of the air carrier or foreign air carrier.

Amendment No. 3: This amendment of the Senate is technical in nature and conforms the language of the House bill to the language of existing law. The House recedes.

Amendment No. 4: The House bill provided that any free air transportation for pleasure or vacation travel furnished under the bill should be furnished only on a space-available basis. The Senate amendment struck out this provision and inserted in lieu thereof a provision which permitted any air carrier to furnish, to military personnel in uniform and on official leave, free or reduced-rate air transportation between any point in Alaska or Hawaii and a point in any of the other States.

The conference agreement eliminates the provisions of both the House bill and the Senate amendment.

JOHN BELL WILLIAMS,
MORGAN M. MOULDER,
JOHN JARMAN,
STEVEN B. DEROUNIAN,
J. ARTHUR YOUNGER,

Managers on the Part of the House.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 571 and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 11001) to provide for the participation of the United States in the International Development Association. After general debate, which shall be confined to the bill, and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

CALL OF THE HOUSE

Mr. GROSS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 159]

Alford	Fountain	Metcalf
Anderson,	Frazier	Mitchell
Mont.	Gallagher	Morris, Okla.
Anfuso	Garmatz	Mumma
Auchincloss	Gubner	Norrell
Barden	Hargis	Powell
Blatnik	Healey	Smith, Iowa
Blitch	Hemphill	Smith, Kans.
Bowles	Holt	Smith, Miss.
Buckley	Karth	Steed
Burdick	Kearns	Stratton
Carnahan	Keogh	Taylor
Coffin	Kilgore	Teller
Davis, Ga.	Kluczynski	Tidall
Derwinski	McMillan	Willis
Diggs	McSween	Witherow
Dorn, S.C.	Macdonald	Younger
Durham	Machrowicz	Zelenko
Edmondson	Mason	

The SPEAKER. On this rollcall 375 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

INTERNATIONAL DEVELOPMENT ASSOCIATION

(Mr. MADDEN asked and was given permission to revise and extend his remarks.)

Mr. MADDEN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, House Resolution 571 provides for the consideration of H.R. 11001, a bill to provide for the participation of the United States in the International Development Association. The resolution provides for an open rule with 2 hours of general debate.

H.R. 11001 would authorize the President to accept membership on behalf of the United States in the International Development Association, which will be an affiliate of the International Bank for Reconstruction and Development, and which is proposed as an international cooperative venture to provide development financing on flexible terms to the less developed countries of the free world. It is designed to complement the development financing that is now available through national and international agencies providing capital to the less developed areas. Like the International Bank, it would not provide financing when such financing is available from private sources on reasonable terms.

IDA is designed to perform on a multi-lateral basis roughly the same functions which the U.S. Development Loan Fund performs bilaterally. Financing will be provided by the association to its less-developed members for purposes of high developmental priority and, except in special circumstances, for specific projects. This financing will not be provided if it can be obtained from private sources on reasonable terms or through a loan of the type made by the International Bank.

The initial resources of IDA will total \$1 billion, if all members of the International Bank join. For subscription

purposes, member countries are divided into two groups: Seventeen designated countries will contribute about \$763 million in gold or convertible currencies; the other 51 countries will provide the remaining \$237 million—10 percent in gold or convertible currencies and the balance in their own national currencies. Subscriptions are based upon the relative capital subscriptions to the International Bank, and voting rights are roughly proportionate to subscriptions. The 90-percent portion contributed by the less developed countries may not be converted into other currencies by the IDA or used to finance exports from the country concerned without its consent.

Mr. Speaker, I urge the adoption of House Resolution 571.

Mr. Speaker, I now yield 30 minutes to the gentleman from Illinois [Mr. ALLEN].

Mr. ALLEN. Mr. Speaker, I yield 6 minutes to the gentleman from Iowa [Mr. GROSS].

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Speaker, it is almost impossible to believe that President Eisenhower would have the nerve to ask for passage of this bill and if he did that a committee of Congress would yield to such pressure and bring it to the floor of the House.

What is here proposed is the creation of a seventh international lending agency with a "soft" or "softer" loan window. In other words, and on top of the hundreds of millions of dollars that have already been ladled out in so-called loans through a variety of other international lending agencies, the pockets of American taxpayers would be picked for another \$320,290,000 under the terms of this bill. And, get this straight. That would be the initial contribution on the part of the United States.

And if these so-called loans are ever repaid it will be in the funny money of the country that gets the loans. The dollars filched from the pockets of our taxpayers will be gone where the woodbine twineth and the whangdoodle whangeth.

According to the report accompanying this bill, an interesting array of lobbyists appeared before the Banking and Currency Committee in support of this latest foreign handout. These included Secretary of the Treasury Anderson, who with President Eisenhower can be counted upon to scream to high heaven when some domestic program threatens to unbalance the budget.

Then we are told the U.S. Chamber of Commerce and the AFL-CIO crawled into the same bed and snuggled up to each other in support of this proposed raid on the Federal treasury to help the "less-developed" from Iceland to Timbuctu. It apparently matters not to the chamber of commerce and the AFL-CIO that industry and labor in this country are becoming "less-developed" from being plastered with foreign imports and loss of markets abroad as a result of the billions of dollars already spent—billions that were taken from American industry, labor, and farmers.

And there was Chairman McCloy of the board of New York's Chase Manhattan Bank, who along with other international bankers stand to reap a golden harvest from international financing.

And Under Secretary of State C. Douglas Dillon, another name well known in international banking circles, was on hand to describe, as usual, how the "less-developed" are "overwhelmed by massive problems."

When the issue is virtue versus sin on a global scale, and the money of other people is to be spent in behalf of virtue, there is no question about where the internationalists and freewheeling spenders will take their stand. It makes no difference that Americans—those who will pay the bills if ever paid—are bogged down with nearly a trillion dollars of debts, public and private.

Returning for a moment to the Eisenhower demand for this legislation. It was not so long ago that with a stroke of his pen he vetoed a bill providing \$251 million—not \$320 million—to provide relief for those in distressed area of this country. This proposal is allegedly designed for the same general purpose abroad. Can it be that the fortunes of our own citizens are less important? Can it be that there are those in this country who, in yielding to a form of glorified international blackmail, would consign many Americans to the status of second-class citizens?

To be consistent, why does not the President and his supporters in this enterprise lead the drive to establish a federally financed domestic lending agency equipped with two windows—one for the "highly developed," hard-money borrowers, and the other a "soft-loan" window for the "less-developed" or "underprivileged" borrower? And let the latter pay off the so-called loan in script or some other issue of funny money.

Let us turn briefly to the basis on which the United States is contributing to this latest foreign handout program, and I call your attention to page 4 of the report on this bill, which shows that our initial contribution will be \$320,290,000. The second highest contributor is the United Kingdom, in other words, Britain, at \$131,140,000.

It was not so long ago that Congress suspended all principal and interest payments on some \$13 billion of debts the British owe us. Now the British claim they will put \$130 million into this fund, despite the billions they owe us. This is check kiting at its best.

Then there is Japan proposing to contribute \$33,590,000. It was only a few days ago in the foreign giveaway bill that Congress gave the Japanese more than \$70,000,000. That is check kiting with a vengeance.

But Members can read the list of nations in this report that are supposed to be contributors to this fund and then check for themselves the millions of dollars being handed them annually in one way or another.

In conclusion let me say to those of you who voted for the distressed areas bill, only to see it vetoed, that I would think you would have your work cut

out for you to explain to your constituents how you could now vote to ransack the U.S. Treasury for more than \$300 million in interest-free money—and this is interest-free money—to hand over to a new bureaucracy to dispense abroad.

And I would think it utterly impossible for anyone who voted against the distressed areas bill to now vote to do for foreigners that which you denied your fellow Americans.

Mr. ALLEN. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. HOFFMAN].

(Mr. HOFFMAN of Michigan asked and was given permission to revise and extend his remarks.)

Mr. HOFFMAN of Michigan. Mr. Speaker, naturally, when I can, and once again I can, I like to go along with the leader of the economy and efficiency of the party. And while I cannot, in his words, subscribe to all that he has said, I get the idea all right and it occurs to me that the President may be a little, as the rest of us are, inconsistent. It has been only a few days that the House, all except 40, voted to increase the pay of Federal workers. Now I understand a survey is being made to learn how many of the Members—and I was one of the 40 who voted against this bill—how many of the Members will vote to override a veto of that bill, on the theory that we cannot afford to pay the Federal workers the wage increase because we do not have the money and here we go authorizing an expenditure of \$320,290,000. Well, I do not think we can, but probably they are going to get it. But that is no excuse, to my mind, at least, for giving away the \$320-odd million mentioned in this bill. And so, without a long harangue or oration, whichever you want to designate it, the first two sections of the report and the last one convince me that I should not vote for this bill. I suppose my leader would call it a giveaway, would he not?

Mr. GROSS. I certainly would; and I did.

Mr. HOFFMAN of Michigan. And then I take it the gentleman wants to save something for our own people?

Mr. GROSS. I would like to; I certainly would like to.

Mr. HOFFMAN of Michigan. What is the idea back of that?

For the first time since I have been associated with the gentleman, he does not seem to have any answer. I suppose there is no real answer—other than an interest to serve our own people. In this, shall I say, "ignorance"—will the gentleman permit me to use that word?—in his ignorance which I share in full he cannot find any real, sound reason for enslaving ourselves to give to somebody else who is not quite as industrious or does not have sufficient initiative to take care of himself. I can go along with the gentleman. Is it all right if I go along with the gentleman in his vote?

Mr. GROSS. I would appreciate it very much.

Mr. HOFFMAN of Michigan. I thank the gentleman. Perhaps I am in the same category as some of those I have

criticized. I let my colleague do the real work who does so painstakingly and so thoroughly and I go along.

We all owe the gentleman a debt of gratitude.

Mr. MADDEN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

AMENDMENTS TO FEDERAL DEPOSIT INSURANCE ACT

Mr. DELANEY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 573 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12465) to provide for a simpler method of determining assessments under the Federal Deposit Insurance Act, and for other purposes. After general debate, which shall be confined to the bill, and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. DELANEY. Mr. Speaker, I yield myself such time as I may consume, after which I yield 30 minutes to the gentleman from Illinois [Mr. ALLEN].

Mr. Speaker, House Resolution 573 provides for the consideration of the bill, H.R. 12465, to provide for a simpler method of determining assessments under the Federal Deposit Insurance Act, and for other purposes. The resolution is an open rule, and provides for 1 hour of general debate. I know of no opposition to the rule; as a matter of fact, I know of no opposition at all. I urge its adoption.

Mr. ALLEN. Mr. Speaker, I know of no one on this side that opposes the bill, but I should like to ask the chairman of the committee one question: How did the vote go in the Committee on Banking and Currency?

Mr. SPENCE. By a vote of 21 to 1.

Mr. DELANEY. Mr. Speaker, I move the previous question.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

NATIONAL SCIENCE FOUNDATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER laid before the House the following message from the President of the United States, which was read and, together with the accompanying papers, referred to the Committee

on Interstate and Foreign Commerce and ordered to be printed with illustrations:

To the Congress of the United States

I transmit herewith for the consideration of the Congress the First Annual Report on Weather Modification (for fiscal year 1959) as submitted to the President by the National Science Foundation.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, June 28, 1960.

SUSPENSION OF DUTIES ON METAL SCRAP

Mr. MILLS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 11748) to continue until the close of June 30, 1961, the suspension of duties on metal scrap, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and request a conference with the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. MILLS, FORAND, KING of California, MASON, and BYRNES of Wisconsin.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. SPENCE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 11001) to provide for the participation of the United States in the International Development Association.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 11001, with Mr. SISK in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Kentucky [Mr. SPENCE] will be recognized for 1 hour, and the gentleman from New York [Mr. KILBURN] will be recognized for 1 hour.

The Chair recognizes the gentleman from Kentucky [Mr. SPENCE].

Mr. SPENCE. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, this bill is the result of a meeting of the minds of 68 nations, practically all the free nations of the world, practically all of those who wish us well. This meeting was instigated by authorities of the United States. Those nations were invited to come here, and they met here, and they formed the charter for this organization. They believed that we would ratify this charter, by providing for the participation of the United States in the organization. They went home confident of that. In many of the legislative bodies of the world this same question is being submitted to them. I am sure they will ratify it.

We assumed leadership of the world in finance and forward-looking legislation

when we asked them to organize this International Development Association. If we repudiate that now, it was a tragic mistake we made when we asked them to come here.

I know many of you do not believe in foreign aid, but you who are opposed to foreign aid—and it is an accepted policy now—you who are opposed to foreign aid ought to vote for this bill. This bill does by cooperative effort, by multilateral approach, what we have been carrying on alone heretofore.

We have with us 16 other developed nations of the world saying they are willing to carry this burden with us. We appropriate \$320 million. They appropriate \$443 million. The underdeveloped nations contribute \$237 million. Part of that \$237 million, it is true, is in local currencies, but I do not anticipate that when those loans are made for the economic growth and development of those countries, that we will be paid in soft currencies. I think this organization will follow a policy of requiring payment in the currencies loaned; the special accommodation will come in the form of longer maturities, low interest rates, and other favorable terms rather than in permitting repayment in local currencies. These loans will help the less developed countries develop the sound economies needed to service more conventional loans.

Expedition is essential, because to carry out our agreement we will have to have the legislation to authorize the appropriation. The organization bill probably be perfected late this year, before the next Congress meets. Our first payment should be made at the time the organization is perfected. To delay that payment would produce lack of confidence in our sincerity in carrying out the agreements made by our representatives at the conference which drew up this charter. I hope the Congress without delay will pass this bill. I hope this act will instill friendship in these other nations that are looking to us for leadership. I think it would be a tragic thing if we should refuse to do this. I think instead of doing what we hope it will do and what I think it will do, bring friendship to us by the cooperation of these nations in a common enterprise, it will bring lack of confidence and an unfriendly attitude.

I do not think this is a trivial matter. We have spent billions of dollars for the friendship of foreign nations. It may be said that in many instances we have found ingratitude. Whether we have or not, who knows what would have happened had we not resorted to this method? Who knows what chaos there might have been in foreign countries? Who knows what the condition would be now with instrumentalities of warfare so powerful as to destroy mankind? Who knows what there would have been had we not resorted to these measures?

I think now we are approaching it in a very much better way, a very much better way for us, and a better way to spend our funds, a better way to bring friendships to our Nation.

I cannot conceive of any argument that could be made against this bill unless you believe that we ought to have

no relationship with our neighbors, unless you believe we ought to stop giving any foreign aid, unless you believe we should live behind a Chinese Wall and do nothing at all to help those upon whom we rely and upon whom we must rely should we be attacked.

I hope you will vote for the bill and I hope it will be passed expeditiously. I hope the countries of the world will know we have kept our agreement. I do not say that we could not repudiate a bad agreement, if the agencies of the United States have made one, but we should support this beneficial agreement, beneficial to our country and its people. To me this is the best method that has been devised for doing the things that we are trying to do; it is the best method that has ever been devised to help the underdeveloped countries of the world.

Those who argue that we have not done anything for our own distressed areas cannot shake their gory locks at me, for I have done all I could, as chairman of the Committee on Banking and Currency. I introduced the area development bill. I did what I could to see that it was passed.

It was passed, and the President saw fit to veto it. I think he made a mistake, but whether he did or not that certainly has nothing to do with the vote you should cast on this proposition.

This is a new proposition, this is the best thing that has yet been proposed if we are going to continue to help those we consider our friends. It is essential not only to pass this bill, but to do so expeditiously.

Under leave to extend my remarks, I include an excerpt from the President's message to the Congress on this bill:

The peoples of the world will grow in freedom, toleration, and respect for human dignity as they achieve reasonable economic and social progress under a free system. The further advance of the less-developed areas is of major importance to the nations of the free world and the Association provides an international institution through which we may all effectively cooperate toward this end. It will perform a valuable service in promoting the economic growth and cohesion of the free world. I am convinced that participation by the United States is necessary, and I urge the Congress to act promptly to authorize the United States to join with the other free nations in the establishment of the Association.

Mr. KILBURN. Mr. Chairman, I agree with our very distinguished chairman, the gentleman from Kentucky. I think he has done a masterful job in explaining this bill.

Mr. Chairman, I now yield 10 minutes to the gentleman from New Jersey [Mr. WIDNALL] the ranking minority member of the committee considering this matter.

(Mr. WIDNALL asked and was given permission to revise and extend his remarks.)

Mr. WIDNALL. Mr. Chairman, our distinguished chairman, Mr. SPENCE, has ably stated the reasons for H.R. 11001, and I heartily support his views. This legislation is not something that comes fresh and new on the scene. To those who may have forgotten, this proposal dates back to February 24, 1958, when Senator MONRONEY of Oklahoma intro-

duced Senate Resolution 264 in the 85th Congress, 2d session, calling for the establishment of a new institution in the field of international development and finance. Hearings were held in March 1958, at which time testimony was taken from many branches of the Government.

A study was made by the National Advisory Council. This was requested by the resolution that had been passed by the Senate. An interim report was made on January 16, 1959, to the Foreign Relations Committee of the Senate which had been assigned the responsibility for consideration of the proposal.

On August 14, 1959, the Council submitted its report.

This agreement would constitute a new international institution known as the International Development Association. Actually, it is the first opportunity we have had as a Nation to participate in something where we have the minority interest. We have been carrying the load in respect to efforts to develop underdeveloped nations of the world in one program after another. The Development Loan Fund and mutual security programs use our money entirely.

In this proposal the original contributions of \$1 billion would be made up as follows:

The United States would put in in gold or hard currencies \$320 million, or 32 percent of the total amount.

Sixteen other developed countries would put in \$443 million, or 44 percent.

The less developed countries would put in \$24 million in hard currency or gold, and \$213 million in their own soft currencies.

The amount contributed by the United States totaling \$320 million would be spread over a 5-year period. In the first year, 1961, the amount would be \$74 million. Incidentally, this amount was included in the President's budget as submitted to the Congress this year, so this is not a new proposal involving spending that was not in the original budget. The second year's contribution would be \$62 million and like contributions for the ensuing 3-year period in 1963, 1964, and 1965.

Under the proposal the voting rights would be based on 500 votes plus 1 for each \$5,000 original subscription. The United States would have 64,500 votes, or 28 percent of the total. The other 16 developed countries would have 96,600 votes, or 41 percent of the total. The 51 less-developed countries would have 29,000 votes, or 31 percent of the total.

The organization itself would be operated in the same framework as the International Bank for Reconstruction and Development. And, I think we can look forward to sound leadership, sound programming, sound policies in the operation of this new agency. Every witness that appeared before us emphasized this. Here is a chance, the first opportunity for us to participate in a program without making the majority contribution; the first time that we will be in a program where we cannot be attacked as having purely selfish interests—dollar diplomacy—as we have bitterly been charged in the past. I feel that it is a great opportunity for us to get out of

the type of foreign aid lending in which we have been involved.

Mr. POFF. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Virginia.

Mr. POFF. I wonder if the gentleman could explain what kind of loans IDA would make which the International Bank for Reconstruction and Development does not now make.

Mr. WIDNALL. The International Bank for Reconstruction and Development makes hard money loans. This would enable soft currency loans to be made, repayable in soft currencies of the countries that are to obtain the loans. There are many underdeveloped countries in the world that do not have hard currencies and they do not have the ability to obtain funds that will enable the development of those countries.

Mr. POFF. When the repayments are made in soft currencies, will the soft currencies become a part of a revolving fund?

Mr. WIDNALL. Yes. They will be retained in the bank and reutilized for additional loans.

Mr. POFF. What additional authority, if any, would have to be obtained from this body or the legislative body of any member of the association to make new loans from the revolving fund in each new fiscal year?

Mr. WIDNALL. As I understand, there will be no new authority for relending of money that is in the original institution. If there were to be any additional hard currency contributions on the part of the United States, it would be necessary for Congress to act on such a proposal.

Mr. POFF. Will any interest be paid by the fund to the contributing nations on their contributions?

Mr. WIDNALL. I do not believe that there is any contemplated interest to any of the contributing nations for their initial capital contribution.

Mr. POFF. I thank the gentleman.

Mr. HIESTAND. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from California.

Mr. HIESTAND. Can it be said that the organization of this fund would relieve the pressure on the Development Loan Fund, a part of the Mutual Security Act?

Mr. WIDNALL. I believe it definitely would.

Mr. HIESTAND. In that event, it would spread the responsibility and the contribution?

Mr. WIDNALL. That is right. The gentleman from California might be interested in who are the other nations that would participate in making hard-currency contributions to this fund: Australia, Canada, France, Germany, Norway, United Kingdom—I have a list of them here.

Mr. HIESTAND. The purpose of my question was to bring out that this is a more desirable and a more businesslike way than simply the United States contributing everything or running the program.

Mr. WIDNALL. Far more businesslike, and I think it has far more appeal

to our people to know that it is on a loan basis and to know that it is participated in by the other countries we have helped in the past.

Here are the names of the other countries making this hard-currency contribution. I will start again. Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Netherlands, Norway, Sweden, Union of South Africa, United Kingdom, for a total of \$442.78 million. Of the total of \$763 million we contribute \$320 million.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Iowa.

Mr. GROSS. Would the gentleman state how many of the countries he has just identified get no assistance of any kind from the United States through the foreign giveaway program or any other handout program?

Are there any of those countries that do not get some assistance from the United States?

Mr. WIDNALL. I do not have any figures in my possession to indicate whether they do or do not.

Mr. GROSS. That question was not asked when the hearings were held?

Mr. WIDNALL. I do not believe it was.

Mr. GROSS. On page 8 of the report I notice this sentence:

Financing can thus be provided to less-developed member countries or to less-developed dependent and associated territories of members of the Association.

My question is, Does that mean that States and territories of the United States can borrow from this fund, as well as foreign countries?

Mr. WIDNALL. I believe—and I hope my chairman will correct me on this—that they would have the opportunity to borrow. Am I correct in making that statement, that territories of the United States could borrow from this fund?

Mr. GROSS. And the States of the United States.

Mr. MULTER. Political entities within a country do not qualify for this borrowing. The United States has its own institutions and agencies which will take care of the States and their political subdivisions, such as territories.

Mrs. DWYER. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from New Jersey.

Mrs. DWYER. Mr. Chairman, I rise to support this legislation and wish to associate myself with my distinguished colleague from New Jersey in the remarks that he has made.

(Mrs. DWYER asked and was given permission to revise and extend her remarks.)

Mrs. DWYER. Mr. Chairman, this is one of the most constructive and far-reaching proposals Congress has ever had before it. The International Development Association will make it possible for the free world to do a much more effective job of helping the less-developed countries strengthen their economies and provide greater opportunities for their people.

In the context of the worldwide competition between the free and the Communist worlds, this new endeavor is certain to become one of our most valuable instrumentalities.

It will place an increasing amount of our economic assistance activities on a multilateral, rather than unilateral, basis by bringing into active cooperation with the United States the other industrialized nations of the free world.

As a supplement to the World Bank, the International Development Association will enable us to reach many of the newer nations and many of their most necessary projects with long-term loans at reasonable rates of interest.

As an international agency, the IDA will help provide a new and constructive use for the increasing supply of local currencies owned by the United States as a result of our sales of agricultural surpluses. While the United States is faced with many practical restrictions on the use of these soft currencies, an international agency like IDA will be able to make maximum use of these resources.

It would be useful to recall, Mr. Chairman, that the great growth and expansion of the United States during the 19th century was made possible in large measure by the financial investment of foreign interest. In effect, we now have an opportunity to adopt this far-sighted course ourselves and invest our own resources in the future of freedom and opportunity in the new and less fortunate countries of the world.

This is a sound and practical and eminently wise endeavor, Mr. Chairman, and I urge the House to approve the legislation and authorize United States participation in the International Development Association.

Mr. O'HARA of Illinois. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Illinois.

Mr. O'HARA of Illinois. The gentleman was asked the question if this would not lessen the strain on the Development Loan Fund and he said he thought so. Is it not a fact that it very definitely would lessen the strain on the Development Loan Fund just as the International Bank lessens the strain upon the Export-Import Bank?

Mr. WIDNALL. One would expect that to be the result, but I do not know that you can say positively it would happen.

Mr. O'HARA of Illinois. But that is part of the expectation?

Mr. WIDNALL. Yes, it is.

Mr. O'HARA of Illinois. I thank the gentleman.

(Mr. WIDNALL asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. PATMAN].

(Mr. PATMAN asked and was given permission to revise and extend his remarks.)

DISTRESSED AREAS BILL FOR COUNTRIES OUTSIDE OF THE UNITED STATES

Mr. PATMAN. Mr. Chairman, this bill is, in effect, a distressed-areas bill for foreign countries. As one who has

previously supported foreign aid and loan programs, I appreciate both the reasoning and the motives of those Members of Congress who now support this legislation. In good conscience, however, I cannot agree to this bill, or to any similar proposal for establishing still another foreign lending agency. I cannot reconcile the totally different attitudes and policies of our Federal Government toward the economic problems of our own people and those of people in foreign lands.

Only a few weeks ago the President vetoed a distressed-areas bill which was intended to help spark economic recovery in the distressed areas of the United States. That bill proposed to use only \$251 million of Federal funds for this purpose. The present bill proposes to use another \$320 million of Federal funds for such purposes abroad.

Two years ago the President vetoed a similar bill to help distressed areas in the United States. Yet at that time our Government was already operating or contributing to four different agencies making foreign loans for economic development. Meanwhile the administration has requested Congress to authorize, and Congress has authorized, two additional agencies to make foreign loans for these purposes. This now gives us a total of six as follows:

The Export-Import Bank of Washington.

The International Bank for Reconstruction and Development—World Bank.

The International Cooperation Administration.

The Development Loan Fund.

The International Finance Corporation.

The Inter-American Development Bank.

This bill would establish still a seventh agency. In addition, there are at least 17 other foreign lending agencies in operation by the Western nations.

Please ask for a copy of the hearings on this bill and turn to page 50. Mr. John J. McCloy was testifying. He lists in the record about 25 agencies in the international lending field today. I sent a written request to the chairman of the committee asking that he obtain the names of these agencies; they appear at page 50 of the hearings, as named by Mr. McCloy, who is chairman of the Chase Manhattan Bank. This will make about the 26th agency in the international field making loans to other countries, other distressed areas, but not a penny for our own country for the same purposes.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. HOFFMAN of Michigan. I should like to thank the gentleman for consolidating and making clear the situation, doing some of the work I should have done. Does not the gentleman think we ought to have a quorum to hear that?

Mr. PATMAN. No, I do not.

Mr. HOFFMAN of Michigan. I do.

Mr. Chairman, I make the point of order that a quorum is not present.

Mr. PATMAN. No, the gentleman should not do that.

Mr. HOFFMAN of Michigan. How else can the gentleman get this before the Members of the House?

Mr. PATMAN. The gentleman has been here as long as I have.

Mr. HOFFMAN of Michigan. Yes, I know; but I have not learned as much, and I do not know how.

The CHAIRMAN. Does the gentleman from Michigan withdraw his point of order?

Mr. HOFFMAN of Michigan. No, I do not. I want the rest of the Members to hear it. It is the most informative statement I have heard in a long time.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and eight Members are present, a quorum.

Mr. PATMAN. Mr. Chairman, when this administration came into office there were 2 foreign lending agencies already established and in operation, one the Export-Import Bank of Washington, the other the International Bank for Reconstruction and Development—the World Bank. Yet the administration has asked Congress to approve new foreign lending agencies, and the Congress has approved them, at the rate of better than one new agency every 2 years. The new agencies were not intended to replace, and have not replaced, the old agencies.

These agencies are duplicating. I am not criticizing any Member for his vote on this bill; I know that many are in sympathy with its purpose, but I wonder what you must think of having 7 different foreign lending agencies in Washington and 17 others in the other Western nations, all to do practically the same thing.

Any other country in the world, except the United States and the Iron Curtain countries can get aid from the 25 different agencies to help in economic development of their distressed areas. We are the only free country that is excepted. Our own people are not eligible even to apply for this aid.

How ridiculous can this Congress get? People are going to ask how ridiculous we can get. We now have more foreign lending agencies than we have personnel to staff them. The new agency to be created by this bill is to be manned by the personnel of the International Bank. The new agency is to have the same directors, the same officers, and the same staff. The only real difference between the new agency and the present World Bank is that the new agency is to make what are called soft loans. That has been the usual justification for almost all of the new foreign lending agencies set up during these past 8 years. The new agencies were needed, we were told, to make softer loans than the older agencies could make. These soft loan agencies are now making loans to help the borrowing countries make the payments due on the hard loans previously made to them.

Here is an agency that is to be superimposed upon another agency in its entirety. Its purpose is only to make softer

loans. It is to make long-term loans at low rates of interest—at 2 percent or 1 percent—or at no interest at all; and the repayment of the loan, if any, can be in the local currency of the country borrowing the money.

Mr. SPENCE. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I will be glad to yield if the gentleman can give me a little more time.

Mr. SPENCE. Mr. McCloy has the greatest respect for the American people. When he mentioned all of these agencies, was he testifying for or against this bill?

Mr. PATMAN. I assume he was testifying for it, but he was not advancing the cause of the bill when he said there were 25 other agencies doing the same thing.

Mr. SPENCE. He was testifying for the bill, was he not?

Mr. PATMAN. Certainly he was; you would not have had him here otherwise.

The following appears at page 50 of the hearings:

In Mr. John J. McCloy's testimony (p. 42), a reference is made to "a considerable number of agencies in the various countries of the West, including, of course, the international agencies, which prospective borrowers from the less-developed lands might approach." In response to a request by Hon. WRIGHT PATMAN that these agencies be identified, the following information was furnished:

SOURCES OF FINANCIAL ASSISTANCE FOR LESSER DEVELOPED LANDS FROM GOVERNMENTS OF WESTERN COUNTRIES

- U.S. Export-Import Bank.
- U.S. Development Loan Fund.
- U.S. International Cooperation Administration.
- U.S. Public Law 480 (not a lending agency but a source of foreign assistance).
- International Bank for Reconstruction and Development.
- International Finance Corporation.
- Inter-American Development Bank.
- United Nations Special Fund.
- European Investment Bank (European Common Market).
- The Development Fund (European Common Market).
- Common Market Loan Fund for African Countries.
- Colombo Plan (about half the 18 members lend directly through this).
- Overseas Countries and Territories Loan Fund (British).
- Commonwealth Development Finance Corporation (British).
- Colonial Development Corporation (British).
- Fonds d'Investissements pour le Developpement Economique et Social des Departements d'Outre Mer (French).
- Fonds d'Aide et de Cooperation (French).
- Caisse Centrale de la France d'Outre Mer (French).
- Ente Nazionale Idrocarburi (Italian).
- Banco de Fomento Nacional (Portuguese—to dependencies only).
- Direct loans from governments of Netherlands, Germany, Belgium, Switzerland.

Mr. ANDREWS. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Alabama.

Mr. ANDREWS. As I understand, the loans made under this bill would be repaid in soft currency.

Mr. PATMAN. In soft currency, yes. In the local currency of whatever country borrows from the agency.

Mr. ANDREWS. Is it not a fact that we have at the present time about \$3 billion worth of soft currency?

Mr. PATMAN. Oh, we own more than that. You are underestimating the amount, I believe.

Mr. ANDREWS. Will the gentleman tell me how much we do have?

Mr. PATMAN. I do not have the exact figure in mind, and I may be wrong, but it is my impression that it is in excess of \$3 billion.

Mr. ANDREWS. As a matter of fact, does not the gentleman consider repayable in soft currency to be just another form of economic aid?

Mr. PATMAN. Yes; the worst thing about this proposal is that our Government has just rejected a distressed areas bill of \$251 million for our own people, which provided for repayment in hard American dollars. We are denying our own people any aid, yet we come along and vote for this bill, which is \$320 million—and this amount is only the start—to help distressed areas in other countries outside of the United States. Does that make sense?

There is no agency and no money for doing for our own people what any of these foreign lending agencies are doing for people abroad. I do not argue that charity should begin at home. But it does seem to me that if such assistance as all of these foreign lending agencies are providing for peoples abroad is based upon sound economics, such assistance for our own people is equally sound economics. Alternatively, if this Nation cannot afford the money to help distressed areas at home, we cannot afford the money to help distressed areas abroad.

As has been indicated, this bill would provide a program of foreign lending in cooperation with, and in coordination with, other friendly nations able to contribute funds for this purpose. In this respect the bill is good. Yet the need is not, as I see it, for still another lending agency. Rather the need is for a consolidation of lending programs and a cooperative endeavor to develop a rational plan of economic development. If our efforts are to be effective in raising living standards in the underdeveloped countries, they must, I think, plan for trade as well as for local productive resources.

Mr. HOFFMAN of Michigan. Just a few moments ago I heard something when I was over on the other side of the aisle that I would like cleared up for I do not know whether the gentleman who said it meant it or not, but he said that we gave the Federal employees a raise and now we are going to take it away from them. Is that true?

Mr. PATMAN. I do not know; I cannot answer that question.

Mr. HOFFMAN of Michigan. Who is going to pay for it?

Mr. PATMAN. You have a lot of people around Washington who can say "No," but almost nobody who can say "Yes." That is one thing about a democratic government—parliamentary government—a lot of people are in bottleneck positions and can say "No," but

there is hardly anybody who can say "Yes."

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Arizona [Mr. RHODES].

(Mr. RHODES of Arizona asked and was given permission to revise and extend his remarks.)

Mr. RHODES of Arizona. Mr. Chairman, I take this time in order to ask a question or two of the chairman or ranking minority member of the committee.

It is my understanding from reading the bill and the committee report that the International Development Association will be under some sort of control of the World Bank. Is that a valid observation?

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. RHODES of Arizona. I yield to the gentleman from New York.

Mr. MULTER. The answer is that the same personnel of the World Bank will operate this association. There will be no additional personnel employed as a result of this bill; they will use the same personnel from top to bottom.

Mr. RHODES of Arizona. The World Bank makes loans, as I understand, in hard currencies, and they have to be repaid in hard currencies. Is that correct?

Mr. MULTER. That is substantially correct.

Mr. RHODES of Arizona. The International Development Association, however, will make loans in hard currencies repayable in soft currencies.

Mr. MULTER. No. Will the gentleman yield further?

Mr. RHODES of Arizona. I yield.

Mr. MULTER. While they have been talking here about soft currencies, it is not quite that simple. They say these hard currency loans are repayable in soft currencies. What they should have been talking about is soft terms meaning these underdeveloped areas may get as much as 50 years at low interest rate to repay the loans.

There may be soft currency loans repayable in soft currency. Payment of loans is permitted in soft currencies if approved by the Bank. Soft currencies that are paid in will be used to make loans in soft currency repayable in soft currencies.

Mr. RHODES of Arizona. As I understand, do you mean that IDA will not be making loans in dollars payable in rupees, for instance?

Mr. MULTER. That is not intended. Dollar loans are intended to be repaid in dollars.

Mr. RHODES of Arizona. I thought this really was the same function the Development Loan Fund performs. Is this something entirely different? I now gather instead that this is similar to what the World Bank does.

Mr. MULTER. The Development Loan Fund is unilateral. Unlike this new institution, only U.S. funds are used in the Development Loan Fund.

Mr. RHODES of Arizona. I am addressing myself only to the manner of the repayment of the loans. The Export-Import Bank makes loans in American

dollars repayable in American dollars, whereas the Development Loan Fund makes loans in American dollars repayable in some other currency. I had thought that IDA also made loans repayable in soft currencies.

Is that a valid statement?

Mr. MULTER. One thing that must be understood is that when they pay for commodities under the operation of Public Law 480, soft currencies are generated abroad. In such a country we can lend those soft currencies instead of lending them hard currencies.

Mr. RHODES of Arizona. Will the gentleman explain to me how this is possible? We have certain soft currencies which belong to the Government of the United States. We are going to put \$320,290,000 into the capital of this Development Loan Association. These are dollars, not local currency.

Mr. MULTER. That is right.

Mr. RHODES of Arizona. How do we get any local currencies which belong to the Government of the United States into the International Development Association?

Mr. MULTER. Every dollar that is going to be subscribed by each of these countries, and there are 68 of them, will be in U.S. dollars.

Mr. RHODES of Arizona. Correct.

Mr. MULTER. Hard currencies in hard U.S. dollars. The loans in the first instance will be made to borrowers who are members of this association in hard currencies. They will call for repayment in hard currencies. If any of those hard currencies should be used under Public Law 480 with which to buy any of our surplus commodities, which are then sent to one of these member countries, then in lieu of repaying hard currencies, those countries may be permitted to pay soft currencies and those soft currencies will in turn be used for other soft currency loans.

Mr. RHODES of Arizona. The gentleman means the International Development Association will make loans of dollars so that other countries may buy our surplus commodities under title 3 of Public Law 480?

Mr. MULTER. That is one of the ways in which this Association may operate.

Mr. RHODES of Arizona. If we are going to do that we had better repeal some of the laws we now have. I cannot imagine any country doing this when it has the opportunity now of getting such fine terms under Public Law 480.

Mr. MULTER. The purpose of this is to replace the Development Loan Fund. We hope eventually to terminate the Development Loan Fund and this in part takes the place of it, plus the fact we have all these other countries participating instead of our doing it alone.

The CHAIRMAN. The time of the gentleman from Arizona has expired.

Mr. KILBURN. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. RHODES of Arizona. Mr. Chairman, if the gentleman and the distinguished members of the Committee had brought in a bill which repealed the Development Loan Fund in favor of a multilateral basis of making loans in hard currency, repayable in soft, it would have

found much more favor on the floor. To me all this only does multilaterally what we now do on a bilateral basis. If it is preferable to do it multilaterally—I do not say it is—then that is the route we should adopt. I think it is fine that the nations listed in the committee report are going to make contributions, so that we will not have to continue to bear this whole burden. My main objection however, is about the same as that of the gentleman from Texas [Mr. PATMAN]. It seems to me we are piling agency on top of agency, and are creating another agency which is something for us to watch, and it makes no sense at all.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. RHODES of Arizona. I yield to the gentleman from New Jersey.

Mr. WIDNALL. I would like to read from testimony of the Secretary of the Treasury, Mr. Anderson, given before the committee:

The articles of agreement allow the Executive Directors a great deal of flexibility in setting the terms and conditions of the loans. The IDA will be empowered to make loans wholly or partly repayable in the borrower's own currency. It will also be empowered to make loans repayable in hard currencies, but with longer maturities than are possible for International Bank loans in view of the Bank's own financing conditions. Loans may be made at rates of interest which will be below the rate on Bank loans. In short, it must be understood that the International Development Association is to make loans which will bear less heavily on the balances of payments of the borrowing countries than loans of the type now made by the International Bank or the Export-Import Bank. This, indeed, is the purpose of an International Development Association.

The IDA articles specify that it will not provide financing when it is available from private sources on reasonable terms for the recipient or could be provided by a loan of the type made by the Bank.

The effect on the balances of payments of the borrowing countries will vary somewhat, depending upon the policy which the IDA evolves within the flexibility as to terms of loans that is provided by the articles. Long schedules of amortization or lower interest rates enable countries to pay off hard-currency loans at a lower annual cost. When the repayment is made in local currencies, there is, of course, no burden on the balance of payments of the borrower. By these methods the developing countries will be able to obtain more finance than they could otherwise obtain.

Mr. RHODES of Arizona. Mr. Chairman, I would like to make a comment on another provision of the bill I do like, although I do not understand.

On page 4, section (c), it is stated:

Any payment made to the United States by the association as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

In the case of the Development Loan Fund the money never gets back to the Treasury. It is a revolving fund. Something of this may come back to the Treasury. We make the contribution in dollars. Will we be receiving dividends in local currencies, to add to our already rather large stock of local currencies, or will we actually get dollars back as a result of this transaction?

Mr. MULTER. I think it is clearly intended to mean repayment in the

funds available to the International Development Association and the World Bank. Now, it is not contemplated that they are going to wind up with nothing but soft currencies. But, when the time comes to liquidate the bank and they have nothing left but soft currencies, that is what each subscribing country will get. We are very hopeful that they will wind up with hard currencies.

Mr. COLLIER. Mr. Chairman, will the gentleman yield?

Mr. RHODES of Arizona. I yield to the gentleman from Illinois.

Mr. COLLIER. Just one question. Is it not true that in the origination of this program, it was intended to replace or to some degree replace our contribution to the International Loan Fund?

Mr. MULTER. Mr. Chairman, will the gentleman yield so that I may answer that question?

Mr. RHODES of Arizona. Yes.

Mr. MULTER. I think when you say "International Loan Fund," you should say "Development Loan Fund," which is solely a U.S. fund, set up by our country with our own money.

Mr. COLLIER. I fully understand that.

Mr. MULTER. This bill is intended to bring all these 68 countries into this new International Development Association. Eventually we can liquidate the Development Loan Fund and the United States will cease doing this on its own.

Mr. COLLIER. Does the gentleman honestly believe that this will come about in the immediate future, or is this another instance where a new program is being created with the intention that this will be done; but in reality, will we ever see the day when this will take place?

The CHAIRMAN. The time of the gentleman from Arizona has expired.

Mr. KILBURN. Mr. Chairman, I yield to the gentleman 2 additional minutes.

Mr. BAILEY. Mr. Chairman, will the gentleman yield?

Mr. RHODES of Arizona. I yield to the gentleman from West Virginia.

Mr. BAILEY. The gentleman from Arizona keeps mentioning the possibility of a dividend. How can a dividend be paid if they loan them the money without interest?

Mr. RHODES of Arizona. As I understand, the transactions of the International Development Association will bear interest as any other loan transaction would.

(Mr. RHODES of Arizona and Mr. MULTER asked and were given permission to revise and extend their remarks.)

Mr. SPENCE. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. MULTER].

Mr. MULTER. Mr. Chairman, it is the considered opinion of the House Committee on Banking and Currency, as indicated by a vote of 21 to 1, that this is a good program and a good bill.

Mr. PATMAN. Mr. Chairman, will the gentleman yield for a correction?

Mr. MULTER. I yield.

Mr. PATMAN. I do not mind standing alone when I am right, but it happens that I have a little company in this case. The vote was 20 to 3 or something

like that. I do not mind being singled out in this case, however.

Mr. KILBURN. Mr. Chairman, if the gentleman will yield, the vote was 18 to 3.

Mr. MULTER. Obviously there is a difference of opinion. Let me revise my statement to say that the Committee on Banking and Currency overwhelmingly endorses this legislation and urges its enactment.

Mr. Chairman, may I call attention to the fact that I am sure the gentleman from Texas inadvertently has given the impression that we have some 26 agencies set up to do this work. He referred to the testimony of a very distinguished gentleman, Mr. John McCloy, who, incidentally, was the first president of the World Bank, a very distinguished and honorable gentleman whose opinions are valued by all of us. We have taken his recommendations and suggestions many times on various matters.

Now, if you will look at the statement that the gentleman from Texas referred to as having been furnished to us by Mr. McCloy, you will find that he has listed there four countries outside of the United States that make direct loans. They are not agencies of this Government. They are not international agencies, even though they may be considered as making international loans; that is, loans to other countries. So, too, you will find also listed by Mr. McCloy three institutions set up by Great Britain making loans to British dominions.

You will find three institutions set up by France which are making loans to French communities. Then there is an Italian organization, and a Portuguese organization, each of which makes loans to their own dependencies.

So, if you eliminate all of those countries, and the organizations of foreign countries, and eliminate the European Investment Bank, which is just that, a European investment bank, and the Development Fund of the European Common Market, and the Common Market Loan Fund for the African Countries, you will find that all we have left are six agencies on the international scene organized or participated in by the United States, included in which are the U.S. Export-Import Bank which, as you know, is intended primarily to help Americans. There is the Development Loan Fund which has been referred to; there is the International Cooperation Administration about which I am sure you all know, the International Bank which is what we refer to as the World Bank, the International Finance Corporation and the Inter-American Development Bank.

Here, after 2 long years of hard, serious and determined negotiation, under the leadership of the distinguished former Member of this House and now a Senator from the State of Oklahoma, Mr. MONRONEY, with the aid of the Department of State and the Treasury Department, we have obtained the commitment of 68 foreign countries to participate in this joint cooperative endeavor to help the underdeveloped countries, countries which up to now, we have been helping almost alone.

Mr. BAILEY. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from West Virginia.

Mr. BAILEY. Is it not true that this method of approach was a choice made by the Treasury Department and the State Department, possibly on the advice of the distinguished Senator from Oklahoma, who realized that the Members of this House are getting tired of draining the United States Treasury. Setting up this kind of an organization and financing it with \$300 million-plus of American money means that this program will be carried on even if the Congress, in the future, refused to make direct appropriations for mutual aid.

Mr. MULTER. I will not attribute that motive to those who participated in this fine endeavor. I would rather think that they were motivated primarily by the desire to bring all of the free countries into one cooperative movement so that we would not be doing this job alone. Here in these trying times, with a setback at the summit and a setback in Japan, after having over 2 long years worked so hard to bring all of the free countries together in one real cooperative effort to show we can stand up against the Communist nations of the world and can fight them, not with bullets, but with the kind of aid that makes it possible for these nations to build themselves up as free countries—I say to you we dare not turn down a bill of this kind. All this bill calls for in 1961 is a total contribution to this association of \$73 million on our part and during each of the next 4 years thereafter a total contribution of \$61 million. That is all it calls for. And bear in mind this is only an authorization. There is no appropriation in this bill. After this is passed, they will then have to go to the Appropriations Committee and get \$73 million for next year and \$61 million for each of the succeeding 4 years.

Mr. BAILEY. Mr. Chairman, will the gentleman yield further?

Mr. MULTER. Yes.

Mr. BAILEY. I notice on page 50 of the hearings that Mr. McCloy, whose name has come into the discussion quite frequently, was being questioned by the gentleman from Ohio [Mr. VANIK], a member of the gentleman's committee. In reply to a question by the gentleman from Ohio [Mr. VANIK], Mr. McCloy said:

Bear in mind this is only a small portion of the aid program. A good part of the aid program today is tied to American goods.

Mr. VANIK. Yes, but it is contemplated, is it not, that this lending authority will be something that will probably increase? They undoubtedly are going to come back for more and more authority.

Mr. McCloy. If the administration of this is a success, I think it would be almost necessary that they should come back for replenishment; not only replenishment, but perhaps some expansion of the funds.

It just means that it is going to be a program to take over the program right now that is represented in direct appropriations by the Congress for mutual aid.

Mr. MULTER. It means that if we put \$320 million into this program over a 5-year period, and thus eliminate the

Development Loan Fund which up to the present time has cost us, I think, about \$1.4 billion, I think IDA will have done a very good job. If in the second 5 years we have to give them another \$320 million as against a possible \$4 billions, to the Development Loan Fund I think we will have done an even better job.

Mr. HIESTAND. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from California.

Mr. HIESTAND. There is one point I am sure the gentleman would like to have cleared up, and I am sure he can do it. The present terms of loaning by the World Bank are not limited, as I recall it. There is no limitation on interest rates or anything like that. They have used their judgment, and again we say it has been quite successful.

Mr. MULTER. The operation of the World Bank today has been a very successful operation even to the extent of being able to float their bonds in the open market and borrow additional funds from the money market instead of coming back to the Congress.

Mr. HIESTAND. Exactly; and the management of the proposed new fund is the same as the management of the World Bank, is it not?

Mr. MULTER. It is so provided.

Mr. HIESTAND. Therefore, it is fair to assume that there will be no loans at no interest or at ridiculous interest rates, as has been charged.

Mr. MULTER. I think they are going to run this International Development Association as affiliated with the Bank on good sound business principles.

Mr. HIESTAND. On a sound business basis.

Mr. MULTER. I trust so.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield.

Mr. HOFFMAN of Michigan. I understood the gentleman to say a few minutes ago in support of his theory that we should adopt this bill that this is only an authorization.

Mr. MULTER. That is correct. That is what I said.

Mr. HOFFMAN of Michigan. Does the gentleman not believe that an authorization is one of the strongest arguments that can be made to the Committee on Appropriations?

Mr. MULTER. There is no doubt about it, we should not authorize unless we expect the Appropriations Committee to appropriate.

Mr. HOFFMAN of Michigan. So in substance what you are doing is asking for an appropriation.

Mr. MULTER. No. We are not asking for an appropriation. If the people who are going to be charged with doing this job cannot justify the appropriation and show that they are ready to use the money, and that the money when appropriated will be used in accordance with the provisions of this bill, then the Appropriations Committee can call a halt.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. KILBURN. Mr. Chairman, I yield 3 minutes to the gentleman from New York.

I wish the gentleman would just take a minute to explain that due to the fact that the other 68 countries have passed this agreement through their parliaments or congresses, attaching any amendment to this bill is pretty nearly the same as killing it.

Mr. MULTER. There is no doubt about it. The gentleman is correct. We thought in committee we might add some amendments to it. After long and serious deliberation and conferences with those concerned in the State Department and the Treasury Department, as well as with our colleagues in the other body, it was made amply plain that any amendment to this bill will make it impossible to implement the agreement that has been entered into with all these other countries.

In that connection, I should like to say that we had some very serious reservations as to whether or not this operation would be in accordance with American public policy as laid down by the U.S. Congress in the various bills, resolutions, and sense resolutions that have been passed from time to time. We have been assured that such U.S. policy will be furthered and followed to the fullest degree in connection with the operation of the International Development Association, and that the provisions written into the enabling legislation authorizing our membership in the World Bank, will apply with equal force and effect so that U.S. policy will be implemented in connection with this operation.

I have not agreed with everything the World Bank has done. I took strong exception to the recent loan to the United Arab Republic because in my opinion that loan was in violation of U.S. policy.

Since then the Congress has written into law that U.S. policy demands that no loans or grants be made to any country which interferes with the free transit of international seaways.

We in our committee thought that we should write such a provision into this bill. Our distinguished colleague from Pennsylvania [Mr. MOORHEAD], then directed our attention to section 14 of the Bretton Woods Agreements Act—22 U.S.C. 286(K) which provides:

In the realization that additional measures of international economic cooperation are necessary to facilitate the expansion and balanced growth of international trade and render most effective the Association, it is declared to be the policy of the United States to seek to bring about further agreement and cooperation among members of the Association as soon as possible on ways and means which will best reduce obstacles to and restrictions upon international trade, promote mutually advantageous commercial relations, and otherwise facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations. In considering the policies of the United States in foreign lending and the policies of the Association the Council and the U.S. representatives on the Association shall give careful consideration to the progress which has been made in achieving such agreement and cooperation.

Mr. Moorhead is entitled to much of the credit for having shown the way in resolving a difficult situation.

Accordingly our distinguished colleague the gentleman from New York

[Mr. HALPERN], who also was of tremendous assistance in this matter, joined me in writing to the Secretary of the Treasury, as follows:

HOUSE OF REPRESENTATIVES,
Washington, D.C., June 1, 1960.

Hon. ROBERT B. ANDERSON,
Secretary of the Treasury,
Washington, D.C.

DEAR MR. ANDERSON: As you know, many of our colleagues have been greatly concerned about the U.S. policies in support of the principle of the freedom of navigation of international waterways in relation to the lending policies of international financial institutions. This question arises in connection with the proposed International Development Association.

Section 14 of the Bretton Woods Agreements Act of July 31, 1945 (22 USC 286K) contains a declaration of the policy of the United States to seek to bring about further agreement and cooperation among nations and international bodies in order to facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations on the basis of stated objectives. It further provides that in considering the policies of the United States in foreign lending and the policies of the International Monetary Fund and the International Bank, the National Advisory Council and the U.S. representatives on the Fund and the Bank shall give careful consideration to the progress which has been made in achieving such agreement and cooperation.

In connection with the proposed International Development Association Act, H.R. 11001, we would appreciate your informing us whether or not U.S. policy as expressed in section 14 will apply to the operations of the International Development Association.

Sincerely yours,

ABRAHAM J. MULTER.
SEYMOUR HALPERN.

He answered as follows:

THE SECRETARY OF THE TREASURY,
Washington, D.C., June 2, 1960.

Hon. ABRAHAM J. MULTER,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. MULTER: This is in reply to your letter of June 1, 1960, in which you refer to your concern about the policies of the United States in support of the principle of the freedom of navigation of international waterways and request advice as to whether section 14 of the Bretton Woods Agreements Act of July 31, 1945, would be applicable to the consideration by the United States of the policies of the proposed International Development Association.

I am pleased to confirm my understanding that section 14 would be applicable to the consideration by the United States of the policies of the proposed International Development Association.

The administration has been, and remains, fully in accord with the basic thought which you have expressed both publicly and privately in the recent past, that is, that freedom of navigation through international waterways is an essential condition for the growth of fruitful international trade and the further development of peaceful relations among nations. The United States has consistently urged this view through every appropriate means at its disposal, in the United Nations and through normal diplomatic channels. We feel that the International Development Association, through its overall contribution to the economic betterment of the less developed areas of the free world, can be of great help in supporting our broad aims of expanding international trade, free of restrictions and discrimination, including freedom of navigation of international waterways.

You may be assured that the policies of the United States in all of the foreign lending activities in which it participates are and will be formulated within the framework of these goals.

Sincerely yours,

ROBERT B. ANDERSON.

Our committee has accepted that representation as an undertaking by our Government that it will instruct our representatives to the World Bank to act and vote accordingly.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Iowa.

Mr. GROSS. If we accept the gentleman's statement, we are in this position, that the Congress of the United States cannot work its will on this legislation. What kind of a situation is it when a group of men can meet somewhere and lay down rules for legislation in the Congress of the United States?

Mr. MULTER. Oh, I am sure the gentleman does not intend to misinterpret what I have said. Those 68 countries have met together over a period of 2 years and have come forth with this agreement. If this agreement is bad, it should not be implemented, and we should then of course kill the bill. But after carefully considering this agreement as entered into by these different countries, if we say it is good for them and good for us and good for the free world, then we should accept the agreement and authorize the entrance of the U.S. Government into this agreement.

Mr. GROSS. But I am not willing to have some group of nonelected representatives tell this Congress what it has to do.

Mr. MULTER. Then we should repeal all legislation we have ever enacted because our Government cannot possibly operate except by delegating authority.

Mr. DENTON. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Indiana.

Mr. DENTON. This session of Congress has previously authorized expenditures of over \$4 billion for the World Monetary Fund and International Bank; \$2 billion for the Export-Import Bank; \$450 million for the Inter-American Bank and over a billion for the Development Loan Fund. Now we are coming in with this appropriation. I realize some of these loans will be paid back, but they do tend to unbalance the budget. Will you tell me how we can authorize loans of several billion to the other countries when we have a distressed area bill of approximately \$250 million vetoed because it will unbalance the budget. Should not the same rule apply at home as does abroad?

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. KILBURN. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. DENTON. If an expenditure, made in this country, which unbalances the budget is dangerous is it not also dangerous to spend money abroad for the same purpose? Can we not do for the distressed areas of this country what we do for foreign undeveloped countries?

Mr. MULTER. This is an authorization which will not unbalance the budget. The budget as presented contemplates an authorized appropriation of \$73 million for 1961. Of course it does not include the money that will be advanced in the next 4 years. These are not grants. They are in the nature of loans. Every one of the items the gentleman referred to, except grants under ICA, are loans. The Export-Import Bank has not lost a dollar. It has been a most profitable operation, so has the World Bank.

Mr. DENTON. The ICA collected about 10 percent of the loans they made. There are the same type of soft loans?

Mr. MULTER. These are not soft loans. I must interrupt the gentleman to say these are not soft loans. There may be soft terms, meaning by that that some of these loans may run as long as 50 years, but they are not soft loans.

The CHAIRMAN. The time of the gentleman from New York has again expired.

(Mr. HALPERN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. HALPERN. Mr. Chairman, I rise in support of this legislation. It is, in my opinion, a long step forward in our policy of encouraging multilateral international economic cooperation. The Association will provide financing on flexible terms to the less developed countries of the free world and will function in a capacity complementary to the World Bank. It will perform roughly, on a multilateral basis, the same functions as our own Development Loan Fund, and will enable the new, underdeveloped countries to secure financing for desperately desired capital needs. Hereafter, other nations will participate in the economic development of the less developed countries, a function that up to now has been carried on solely by us through our own Development Loan Fund. I am proud that the United States has taken the lead in the establishment of the Association.

To further promote our policy of seeking peace through law and justice I would have liked to have seen written into the legislation a declaration of principle regarding freedom of navigation in international waterways. However, unlike the unilateral mutual security bill in which such a provision was included, this measure concerns a multilateral institution involving the participation of some 67 other nations. Independent action by us would run into ratification problems and perhaps invite less honorable reservations from other countries.

In view of this, we have little choice but to accept the assurances of our Government that our representatives to the Association will, in carrying out their duties, uphold the principle that the United States is opposed to the denial of freedom of navigation in international waterways. This assurance has been given to us by the Secretary of the Treasury who is our representative on the World Bank and who will exercise a similar function in respect to the Association.

This principle was not applied in the instance of the recent unfortunate

World Bank loan to the UAR for the widening and deepening of the Suez Canal. This, regretfully, despite existing statutes relative to United States participation in the World Bank which read in part:

It is declared to be the policy of the United States to seek to bring about further agreement and cooperation among nations and international bodies, as soon as possible, on ways and means which will best reduce obstacles to and restrictions upon international trade, eliminate unfair trade practices, promote mutually advantageous commercial relations, and otherwise facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations. In considering the policies of the United States in foreign lending and the policies of the Fund and the Bank, particularly in conducting exchange transactions, the Council and the United States representatives on the Fund and the Bank shall give careful consideration to the progress which has been made in achieving such agreement and cooperation.

It is heartening that since that loan Congress has expressed its feelings by adopting an amendment to the recently enacted mutual security authorization bill in support of the principle of freedom of navigation through international waterways.

It is further heartening that our Government, in the words of the Secretary of the Treasury in commenting on H.R. 11001 has made clear its full recognition of this principle.

I join my colleague from New York—whose strong views on this subject as well as my own are a part of our committee's record on this legislation—in accepting the good faith of the Secretary of the Treasury in his unequivocal statement of U.S. policy supporting the principle of freedom of navigation through international waterways.

In his exchange of correspondence with my colleague and myself, the Secretary set forth the position of our Government. Mr. Chairman, I submit herewith copies of our communications for insertion in my remarks at this point.

JUNE 1, 1960.

Hon. ROBERT B. ANDERSON,
Secretary of the Treasury,
Washington, D.C.

DEAR MR. ANDERSON: As you know, many of our colleagues have been greatly concerned about the U.S. policies in support of the principle of the freedom of navigation of international waterways in relation to the lending policies of international financial institutions. This question arises in connection with the proposed International Development Association.

Section 14 of the Bretton Woods Agreements Act of July 31, 1945 (22 U.S.C. 286K), contains a declaration of the policy of the United States to seek to bring about further agreement and cooperation among nations and international bodies in order to facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations on the basis of stated objectives. It further provides that in considering the policies of the United States in foreign lending and the policies of the International Monetary Fund and the International Bank, the National Advisory Council and the U.S. representatives on the Fund and the Bank shall give careful consideration to the progress which has been made in achieving such agreement and cooperation.

In connection with the proposed International Development Association Act, H.R. 11001, we would appreciate your informing us whether or not U.S. policy as expressed in section 14 will apply to the operations of the International Development Association.

Sincerely yours,

ABRAHAM J. MULTER.
SEYMOUR HALPERN.

THE SECRETARY OF THE TREASURY,
Washington, June 2, 1960.

Hon. SEYMOUR HALPERN,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. HALPERN: This is in reply to your letter of June 1, 1960, in which you refer to your concern about the policies of the United States in support of the principle of the freedom of navigation of international waterways and request advice as to whether section 14 of the Bretton Woods Agreements Act of July 31, 1945, would be applicable to the consideration by the United States of the policies of the proposed International Development Association.

I am pleased to confirm my understanding that section 14 would be applicable to the consideration by the United States of the policies of the proposed International Development Association.

The administration has been, and remains, fully in accord with the basic thought which you have expressed both publicly and privately in the recent past, that is, that freedom of navigation through international waterways is an essential condition for the growth of fruitful international trade and the further development of peaceful relations among nations. The United States has consistently urged this view through every appropriate means at its disposal, in the United Nations and through normal diplomatic channels. We feel that the International Development Association, through its overall contribution to the economic betterment of the less developed areas of the free world, can be of great help in supporting our broad aims of expanding international trade, free of restrictions and discrimination, including freedom of navigation of international waterways.

You may be assured that the policies of the United States in all of the foreign lending activities in which it participates are and will be formulated within the framework of these goals.

Sincerely yours,

ROBERT B. ANDERSON.

Mr. Chairman, it is our sincere belief that the policy enunciated in the Secretary's letter will be reflected in the actions of our representatives to the Association and the Bank whenever a situation involving a violation of this principle might arise.

I have been pleased to associate myself with my New York colleague and fellow committee member [Mr. MULTER] throughout the hearings on this legislation, and through the meetings of both the subcommittee and full committee, as well as in the conferences and communications with the Secretary of the Treasury and the others concerned with this legislation which is so vital to the free world.

We accept, together with the membership of the House Banking and Currency Committee, clarification of the U.S. position as expressed by Secretary Anderson and we have complete faith that this policy will be fulfilled in the carrying out of the duties of the U.S. representatives to the International Development Association.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. O'KONSKI].

Mr. O'KONSKI. Mr. Chairman, I am fearful this bill will do exactly the opposite of what is intended. It is my belief that by establishing a seventh international bank you are getting the foreign countries who seek loans so confused and so worn out, going from one bank to another to find out where they can get a loan, that they will get discouraged and give up. You are not going to be able to loan any money that way. This is the seventh such international bank. There is an international bank, then a soft international bank, then a soft, soft international bank; then a soft, soft, soft international bank and world without end. Pray tell me if a country wants a loan which of the seven banks are they to go to?

Another thing that confuses me is all this reference to hard and soft money. I may be old fashioned, but to me there is only one kind of money, and that is hard money. It is hard to get, hard to keep, and hard to pay taxes on. It is the only kind of money the taxpayers know too. If you doubt it ask them sometimes.

This gobbledygook about hard money and soft money, hard loans and soft loans is just a means to confuse you and to confuse the people of the Nation. It is typical wordtwisting by international bankers to bleed the people. They say this is only going to cost the United States of America only \$320 million in hard money. When they say that they are propounding a falsehood and they know it. Let me give you the facts. Let us go over this list of countries that are alleged to contribute money into this seventh international bank.

Take the case of China; that is Nationalist China. We are now giving Nationalist China hundreds of millions of dollars of assistance each year. Where is Nationalist China going to get the dollars, \$30 million worth, to put into this seventh world bank?

Nationalist China of course will get the money from the United States. She may make the contribution of \$30 million, but she is going to ask us to give additional money under foreign aid to make it possible. It means we have got to give Nationalist China \$30 million more in foreign aid to make up what she will contribute to this seventh world bank. Where else could Nationalist China get the money? So we will actually pay her share.

Take another case, the Island of Cuba which is down here for \$4,710,000. Do you mean to tell me that when Khrushchev goes to Havana, he is going to allow "In-Fidel" Castro to give \$4,710,000 to this seventh international bank? Of course not. We are going to have to pay it. We will pay it by giving Castro \$150 million a year as a bonus for sugar. It is our money Cuba will put in if Khrushchev gives such permission.

Let us go through the list further. There is Afghanistan, Argentine, Bolivia, Brazil, Burma. I could go on and name every one of those countries that are already getting our foreign aid, and

for every dollar they contribute to this seventh international bank, it means they are going to ask us for more money and it means that we are going to give them the money to pay it. Make no mistake about it it is only our money that will go into this international gimmick.

Let us go to the hard currency countries. Here is Japan down for \$33½ million. In the foreign aid bill we passed just here recently, we gave them \$71 million in foreign aid already for the coming year. They are now going to ask us to give them the \$33 million additional so they can contribute to this seventh bank. So this will bring up to \$100 million our foreign aid to Japan. Every one of these countries who are supposed to contribute to this seventh fiasco will just ask us for so much more foreign aid. So in the end it is our money and ours alone which will go into this misnamed seventh international bank.

It is said that it is going to cost us only \$320 million. It reminds me of a friend who came to see me when I was home last fall. He was a man who wanted to start a bank. He came to see me and was complaining about the situation. I asked him what the trouble was. He said:

All my friends who were asked to "take stock in the bank" said: "Sure we will take out stock. If you will give me \$500, I will take out \$500 worth of stock in your bank."

This is exactly what is happening here. All these countries are really saying: "Sure we will join your seventh world bank but you got to give us the money to do so."

Here is Italy down for \$18,160,000. Where will they get that \$18 million? They are already living off of us. We are giving foreign aid to Italy by the millions. They will be merely asking us to increase our aid to them so that they can afford to join this super-super soft, soft, soft seventh international bank. How silly can we be? And how long are we going to continue to fool the people of our Nation?

Mr. COLLIER. Mr. Chairman, will the gentleman yield?

Mr. O'KONSKI. I yield to the gentleman from Illinois.

Mr. COLLIER. The gentleman from New York in summarizing his remarks said this is a good thing for the free nations of the world. Has the gentleman from Wisconsin considered Yugoslavia as a nation of the free world?

Mr. O'KONSKI. Oh, yes, there is Yugoslavia down for \$4 million. Do you know how much money is in the foreign aid bill we passed just a few days ago for Yugoslavia? It is a considerable sum, and yet they are down here for \$4 million. They will be asking us for \$4 million more because they have to join this new world gimmick to the tune of \$4 million.

In the case of Japan it is \$33 million and they are getting \$71 million in foreign aid. This thing is going to cost us double. Instead of this thing adding up to a cost roughly of \$1 billion, the total cost will turn out to be pretty nearly \$2 billion before we get through because in reality every dollar that goes into this bank will come from one source only and that is the United States of America.

For every dollar any other nation puts in they are going to ask for \$2 in additional foreign aid. How long are we going to continue this dogma of deception and outright falsification to our own people?

Mr. SPENCE. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. ASHLEY].

Mr. ASHLEY. Mr. Chairman, I rise in support of this measure.

Mr. Chairman, I agree implicitly with what the distinguished chairman of our committee, the gentleman from Kentucky [Mr. SPENCE], has said about the necessity for favorable consideration of this legislation and also the great importance of this legislation being acted upon promptly. There have been a number of points during this debate that have been interesting, to say the least. The notion that the 26 international lending institutions that have been referred to, the notion that all perform identical functions and, therefore, that the legislation before us is unnecessary simply has no basis in fact. The fact of the matter is, Mr. Chairman, that from a functional standpoint the bill before us is necessary to establish U.S. participation in an institution that would be unique, that would not overlap or have any duplicate functions with existing organizations.

Secondly, Mr. Chairman, the legislation now before us has been characterized as distressed area legislation, possibly with some basis in fact. Certainly the loans contemplated are soft-term loans, which will be made principally to underdeveloped countries. It has been suggested at the same time, however, that inasmuch as the domestic distressed area legislation has failed, therefore it would be improvident and inconsistent for this body to consider favorably the enactment of distressed area legislation for the underdeveloped countries of the world.

Let me say first of all, Mr. Chairman, that this body acted favorably, as did the other body of Congress, on domestic distressed area legislation. It was harpooned by Presidential veto. I do not think, however, there is anything inconsistent about the President putting forward in his budget funds for the International Development Association Act and at the same time being convinced that local distressed area legislation as presented by the Congress is wrong. I see nothing inconsistent in that. These are two separate pieces of legislation and each must be considered on its own merit.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Iowa.

Mr. GROSS. The gentleman talks about consistency. Would the gentleman think that the President would veto this bill, as he did the distressed area bill?

Mr. ASHLEY. No, I do not think for a moment that he will, and there is nothing inconsistent about it. I think he was wrong in vetoing the first bill, but having done so I do not see anything inconsistent in allowing this one to come to his desk for his signature and signing it.

The best minds in the country agree that the cold war conflict in which we are engaged will be decided in the underdeveloped countries of the world. We have a tremendous stake in these countries. The issue before us, not only now, but in the House continuously, is whether or not these underdeveloped countries shall be given such assistance as to enable them to develop their economies without having to turn to the Communist camp or adopting the Communist economic system in order to establish a capital base.

It is in this regard, Mr. Chairman, that I think favorable consideration of the bill before us is essential. The purpose of this bill is good. It has been carefully considered by the Committee on Banking and Currency. We have had outstanding people with exceptional international banking experience come before the committee. We have listened to leaders of the present administration, people who presumably are familiar with the problems of our foreign affairs and the state of the underdeveloped countries. We got all the information that we could and it supports overwhelmingly the need for enactment of the bill before us.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Michigan.

Mr. HOFFMAN of Michigan. There is no question but that there are many, many people in the executive department and some, undoubtedly, in the Congress, who know much more about the world situation than do many of us who are in the House, and who know very little about the real situation or what may happen. At the same time, some of us do know a little something about what happens when an individual or a nation continues indefinitely spending more than he or it has, and putting off payments to future generations. Does the gentleman think that is the fair thing to do—keep piling onto the debt and let somebody that comes later pay it?

Mr. ASHLEY. There has been no one who has paid more service, lipservice or otherwise, to the balancing of the budget than has the President of the United States; yet he has included this item in his budget.

Mr. HOFFMAN of Michigan. Mr. Chairman, if the gentleman will yield further, I remember well when the President told us that business and industry must hold the line. And, then they sent somebody over to settle the steel strike. The line was not held. I remember, too, when we raised the pay of the military people. Was that holding the line? Is that consistent? I am not criticizing the President, because I am a Republican. I cannot vote for JACK KENNEDY. I admire him very, very much. I think he is a wonderful man, but I will have to vote for Mr. Nixon, because I am a Republican and so is he and his principles are those in which I have faith.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. Bow].

(Mr. BOW asked and was given permission to revise and extend his remarks.)

Mr. BOW. Mr. Chairman, I think it would be rather interesting in the debate on this question to see just what our position is with the rest of the world and why we are paying the largest amount to this fund. Under contributions to be made by the various countries may I point out that Australia is going to contribute \$3,694,000 and has a per capita debt of \$369. Austria will contribute \$3,160,000 and has a per capita debt of \$101. Belgium and Luxembourg, total contribution \$6,952,000 and a per capita debt of \$737. I shall put these in the RECORD complete. But, in each one of these countries the national debt is low and the per capita debt is low. I might say that France has a debt of \$16 billion and a per capita debt of \$375. The United Kingdom is high. They have a debt of \$77 billion and a per capita debt of \$1,492.

Let me point out to you—and you will find these figures in the RECORD—that the United States has a national debt today of \$289 billion and a per capita debt of \$1,606. Now, these are the figures given to me by the Treasury during our hearings before the supplemental subcommittee just recently. These countries, none of them, have the national debt that we have. You take the combined national debt of all these countries, they do not equal ours. None of them have our per capita debt. Take Japan, for instance, that we are going to help. Japan has a per capita debt of \$29, and yet we are buying from them; we are spending our money over there, taxpayers' money, and still setting this up to give them some more.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. BOW. I yield to the gentleman from New York.

Mr. MULTER. Is it not also true that none of these countries have either the per capita income nor the gross national income that the United States has?

Mr. BOW. Their total gross national income exceeds ours while our debt exceeds their total combined debts. Well, does the gentleman mean to say to me that because we are making more, because we have increased the national debt, that we should continue to go further and further into debt; that we will put more debts upon the unborn generations; that we will continue to increase our debt, increase our taxes? Is that what this great Committee on Banking and Currency believes in? If that is the philosophy, I think it is about time that we do something about it, because we have a debt of \$289 billion and a per capita debt of \$1,606. Even the poor baby that is born, before it ever gets a stitch of clothing on, has a right to be crying out loud, with this great debt hanging over its neck before it comes in. Does the committee feel this is fiscal responsibility?

Mr. MULTER. My answer is, as long as the world is in its present turmoil, with the Communists on the march, those who have must share with those who have not.

Mr. BOW. The gentleman is subscribing, then—and I do not yield further—to that sort of philosophy. The gentleman is referring now to the philosophy that Mr. Lenin had that he would have the capitalist nations spend and spend and spend themselves into bankruptcy. And then what will we have?

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. BOW. I yield to the gentleman from North Carolina.

Mr. JONAS. The gentleman from Ohio may be familiar with the story of the new father who was looking through the window in a maternity ward in the hospital and saw all of the newborn babies bawling and he turned to the nurse and said, "Why are all of the babies bawling?"

The nurse was tired, having been on duty all day, so in some impatience she turned to him and said, "Mister, if you were just 1 day old, and were wet and hungry and already owed \$1,700 on the national debt, you would be bawling, too."

Mr. BOW. I think the gentleman is absolutely correct; that is the fact. Here we have it. Here are all these other countries, low in national debt. Why are we called upon to make the greatest contribution, \$320 million under part 1? Why do not these other countries with a lesser national debt, a lesser per capita debt, come in and take their share? It is time that the rest of the free world began to accept its responsibility and began to make some of these payments. We should not be called upon constantly to make a contribution larger than that of any other nation.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. BOW. I yield.

Mr. WIDNALL. What the gentleman has just said is exactly the purpose of this legislation, to have the other countries, the hard money countries, make the contributions which they have not made in the past, and which they are going to make to the extent of \$433 million to our \$320 million in this program.

Mr. BOW. The combined debt of all of those countries today does not anywhere near equal the national debt of this country. Does not the gentleman think their contributions ought to be a little higher? Does not the gentleman think it is about time someone else bore some of that burden, some other country put that burden upon their own taxpayers? We have to help the underprivileged, but it is time the rest of these people, most of whom we are supporting all over the world—we are buying from them, we are taking their products—let us give the American taxpayer some little relief.

International Development Association
SCHEDULE A—INITIAL SUBSCRIPTIONS
[In millions of U.S. dollars¹]

Pt. I:	
Australia.....	20.10
Austria.....	5.04
Belgium.....	22.70
Canada.....	37.83
Denmark.....	8.74
Finland.....	3.83
France.....	52.96
Germany.....	52.96
Italy.....	18.16
Japan.....	33.59
Luxembourg.....	1.01
Netherlands.....	27.74
Norway.....	6.72
Sweden.....	10.09
Union of South Africa.....	10.09
United Kingdom.....	131.14
United States.....	320.29
Subtotal.....	763.07

Pt. II:	
Afghanistan.....	1.01
Argentina.....	18.83
Bolivia.....	1.06
Brazil.....	18.83
Burma.....	2.02
Ceylon.....	3.03
Chile.....	3.53
China.....	30.26
Colombia.....	3.53
Costa Rica.....	.20
Cuba.....	4.71
Dominican Republic.....	.40
Ecuador.....	.65
El Salvador.....	.30
Ethiopia.....	.50
Ghana.....	2.36
Greece.....	2.52
Guatemala.....	.40
Haiti.....	.76
Honduras.....	.30
Iceland.....	.10
India.....	40.35
Indonesia.....	11.10
Iran.....	4.54
Iraq.....	.76
Ireland.....	3.03
Israel.....	1.68
Jordan.....	.30
Korea.....	1.26
Lebanon.....	.45
Libya.....	1.01
Malaya.....	2.52
Mexico.....	8.74
Morocco.....	3.53
Nicaragua.....	.30
Pakistan.....	10.09
Panama.....	.02
Paraguay.....	.30
Peru.....	1.77
Philippines.....	5.04
Saudia Arabia.....	3.70
Spain.....	10.09
Sudan.....	1.01
Thailand.....	3.03
Tunisia.....	1.51
Turkey.....	5.80
United Arab Republic.....	6.03
Uruguay.....	1.06
Venezuela.....	7.06
Vietnam.....	1.51
Yugoslavia.....	4.04
Subtotal.....	236.93
Total.....	1,000.00

¹ In terms of U.S. dollars of the weight and fineness in effect on Jan. 1, 1960.

[Expressed in U.S. dollar equivalents]

Country	Gross debt of central governments ¹	
	Total debt	Per capita debt
	Millions	
Australia.....	\$3,694	\$369
Austria.....	716	101
Belgium-Luxembourg ²	6,952	737
Canada.....	20,220	1,155
Denmark.....	1,190	258
Finland.....	538	122
France.....	16,037	357
Germany.....	5,867	113
Italy.....	10,050	215
Japan.....	2,653	29
Netherlands.....	4,911	433
Norway.....	1,234	345
Sweden.....	3,706	497
Union of South Africa.....	3,217	220
United Kingdom.....	77,700	1,492
United States.....	289,500	1,606

¹ Debt data for foreign countries as of latest dates available (Finland, 1958; other countries, 1959). Data for the United States as of May 31, 1960.

² Not available separately.

NOTE.—International comparisons of public debt data are difficult to evaluate, because of substantial economic and fiscal dissimilarities between countries. A number of foreign countries have devalued their currencies in relation to the dollar during the postwar period, thus reducing their public debt total when expressed in terms of dollars.

Mr. SPENCE. Mr. Chairman, I yield 3 minutes to the gentleman from Indiana [Mr. BARR].

(Mr. BARR asked and was given permission to revise and extend his remarks.)

Mr. BARR. Mr. Chairman, the Congress is rather a new experience to me, but I have had a lifetime of experience in investments. We are talking about an investment of \$320 million. It seems to me that the way we make investments in the Congress is to have some hearings, write a report, chew it around on the floor of the House and then decide what we are going to do about it. This is not the way I made investments. I usually put my hat on, went out, looked over the management, looked over the property, and decided whether it was worth anything. And that is what I did with reference to this institution, the World Bank.

Now I think this is probably the best bill I have seen in this Congress, in all of the 86th Congress. Let me see if I cannot give you at least one argument for the bill. I am convinced that the management of the International Bank for Reconstruction and Development is possibly the most capable, the most knowledgeable and dedicated that I have encountered in this town. Mr. Eugene Black and that staff he has put together have done a magnificent job, not only for the Bank, but for this country. This is one international institution that does not spend its time just debating. This Bank, and the Monetary Fund, run by Mr. Per Jacobsson not only debate, but they act, day after day after day on some of the most severe problems facing this Nation and the world.

When I prepare to invest my money, I want to know who is going to use it and how. The personal visit I made to the World Bank reinforces my support of this bill.

The gentleman from Ohio [Mr. Bow] has just mentioned that we are being put in an intolerable position on our national debt. I said the other day on the mutual security appropriation bill, that while our debt is very important, still it is not as imminent as another strain that is facing this country. The critical strain on this country is our international balance of payments. I talked to the gentleman from Arizona [Mr. RHODES] about the subject. That strain is right on top of us and we cannot stave it off too much longer. We can stay with it for a while but we cannot stay with it forever.

The one point I would like to make is that here is an approach through an institution that is well handled, that does give us an opportunity to shift this load we have been carrying since 1948 to a multilateral basis supported by 68 nations, and that does offer in the future a chance to relieve the balance-of-payments strain resulting from mutual security.

I have spent 2 years on the Committee on Banking and Currency. I will state flatly I have never seen a bill come out of that committee of which I am as proud and for which I have as much hope for this country and the future of the free world.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. BARR. I yield to the gentleman from North Carolina.

Mr. JONAS. I want to join the gentleman in complimenting Mr. Eugene Black, President of the International Bank. He is entitled to great credit for the way he has handled the World Bank. I noticed in a recent issue of Time magazine that for the first time in history Harvard, Yale, and Princeton awarded honorary degrees to the same man, and that was Mr. Black.

Mr. BARR. The gentleman is right, and I think these universities, including my own school, Harvard, were well advised.

Mr. RHODES of Arizona. Mr. Chairman, will the gentleman yield?

Mr. BARR. I yield to the gentleman. He has asked some very intelligent questions on the floor. I wish I had some time to answer them.

Mr. RHODES of Arizona. I compliment the gentleman on the statement he has made. The question is, What effect would the \$320 million capital of the International Development Association have on the balance of payments?

Mr. BARR. It would work against a favorable balance, but I would like to state that through the IDA approach we can shift to a multilateral attack on the problems of the underdeveloped nations that should result in an eventual lessening of the strain on our balance of payments.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. HOFFMAN].

(Mr. HOFFMAN of Michigan asked and was given permission to revise and extend his remarks.)

Mr. HOFFMAN of Michigan. Mr. Chairman, let me drag in a personal note, which sometimes expresses your argument better than anything else. My point is that we would do well to embrace and activate the principles: work, thrift, endurance, courage, of some who suffered—some died.

Seventy-two years ago I went across the tracks in the little town of Constantine to the home of a colored woman and carried home to my mother—to my own home—a little boy, no relation, whose father had skipped town, left a wife to support herself and small son. He left his wife to work in a hotel. My mother and father gave the boy a home. He had difficulty in hearing and he had difficulty in talking. Nevertheless, he had courage and ambition, because he went along. Mother taught him the rules which should govern us all: honesty, patriotism, morality, courage, Christianity. A brother-in-law gave him a job in a newspaper office. He learned linotyping and typesetting and several other things.

Not long ago I read about a welfare program out in California, and another here in Washington, and I wrote him and asked "Billy, what have you got and what do you want?" He wrote back, "Well, I married a girl in the same situation as I am as to hearing and talking. We have our home. It is paid for. We have an automobile, paid for. We have a little money in the bank. All I want is the opportunity to earn and pay my own way and that I can and will do"; and he and his good wife have done just that notwithstanding the handicaps which have been with them all their lives. Their example causes me to be ashamed every time I complain of some imaginary handicap.

What does all that have to do with this? He proves that he had the right kind of training, that he had endurance, that he was willing to support himself and in spite of two serious handicaps here in this land of ours, he has done so and with a single handout. He and his wife are true Americans.

Are we to say to all the rest of the world, or certainly to a majority of them, who are just as well fixed by nature as that boy, that they cannot do anything for themselves. We may be doing more harm to the rest of the world than we can ever imagine we can do good, because we are taking away from them all their self-reliance, all their desire to do something for themselves. We are just carrying them along in idleness; making dependents of them.

I think that is wrong. The reason I speak of this today is because the man to whom reference was just made, happens to be here, and I asked him once more, "Billy, what do you want?" And he said, "Nothing except opportunity which this country heretofore has given me." Are we to saddle our own folks now with a debt, so that as the gentleman from North Carolina [Mr. JONAS] told us, our children come into the world bawling

and crying because of the burdens we have passed on to them? Not me.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. MOORHEAD].

(Mr. MOORHEAD asked and was given permission to revise and extend his remarks.)

Mr. MOORHEAD. Mr. Chairman, I believe that this legislation authorizing our joining the International Development Association is probably the most imaginative and constructive piece of legislation that has been presented to the 86th Congress. I think there are really four reasons why this legislation should be overwhelmingly adopted.

The first reason is just common old self-centered, self-interest. We are obviously engaged in a program of assistance to underdeveloped countries. Let us put our money into an association like this where for every \$3 we put in \$7 of hard currency will be received by the underdeveloped countries, and if soft currency is included for every \$3 we put in the underdeveloped will receive \$10. I believe we should stress the International Development Association rather than the Development Loan Fund, where the United States is the only one that contributes.

The second reason for support of IDA is that many of the underdeveloped countries have a fear, whether justified or not, that under any bilateral transaction we will try to get economic domination over them. Therefore they are reluctant to participate in our bilateral arrangement. In IDA where they are members and have a vote and have contributed their money, they are more willing to go along with the program that we favor.

Mr. BAILEY. Mr. Chairman, will the gentleman yield?

Mr. MOORHEAD. I yield to the gentleman from West Virginia.

Mr. BAILEY. Does the gentleman think the passage of this legislation would bring steel production back to 80 or 90 percent in Pittsburgh?

Mr. MOORHEAD. I am afraid I cannot say it would do that. But I do think it will help to keep this world from falling apart, and the underdeveloped countries from going Communist.

The third reason for IDA is that when we deal with the underdeveloped countries on a bilateral basis we cannot force them to make economic reforms and monetary policies that would make the loan reasonable, because that is the economic domination that they fear. But an international body, composed of underdeveloped and developed countries can enforce harder terms than we can do by ourselves.

The fourth and final reason for IDA is that we have an agency to run it that has an enivable record that has never been questioned. The World Bank has carried on operations for years without any question about waste or fraud or mismanagement. Let us put this money to work in a proven agency that will develop our aid in the best way for our own interests.

Finally, when we are working on a bilateral program, the talent that we must

search for to manage this program is only American. In the IDA we can draw on the whole world as a pool of talent. If we wanted an engineer who had lived in Ghana, for example, there might not be such a man in America. But that is the kind of man we can develop under our program in IDA.

I say that every Member of this body should vote to support IDA. Members who wish to reduce foreign aid expenditures should vote for it and concentrate their efforts on reducing expenditures for the development loan fund and other foreign loan arrangements where we put up 100 percent of the money.

Members who are concerned about our deficit in international payments should support IDA where other nations will contribute, and concentrate cutting the programs where we alone contribute.

Members who are concerned about waste in our foreign aid program should be for IDA, because it will be managed by an institution which has an enviable reputation throughout the world of being a businesslike organization.

Members who wish to stress our economic aid over our military aid should vote for IDA. IDA will be successful as an economic assistance program, not a military program.

Mr. Chairman, much has been made of the veto of the depressed areas bill. I voted for the depressed areas bill. I think it was a mistake for the President to veto the depressed areas bill; but, Mr. Chairman, two wrongs do not make a right. We should support IDA.

Mr. Chairman, with increasing concern the supporters of foreign aid have witnessed in recent years mounting criticism of our foreign aid program. This criticism has not been limited to those persons who were outright opponents of foreign aid. It has stemmed also from many who were previously ardent supporters of the concept of economic and military aid.

The reasons for this criticism are varied. Some have felt that too much emphasis has been placed on military aid instead of economic aid. Many have been extremely critical of the heavy burden placed solely upon the United States. There has been increased alarm over the balance of payments deficit.

For these and other reasons our much-needed foreign aid program has lost in popularity.

We need a new approach to foreign aid which will answer some of these problems and rekindle the flames of enthusiasm for a dynamic foreign aid program.

The International Development Association provides such an approach. The International Development Association will inaugurate a completely new and exciting concept in the field of foreign aid. I am proud to have been a member of the Banking and Currency Committee which approved the establishment of IDA, and to add my support on the floor today.

For the first time there is now being established a multilateral international cooperative program. We have finally persuaded other countries to join with us in making "soft" loans to underde-

veloped countries on terms similar to loans the United States, by itself, has been making through the Development Loan Fund.

IDA is the instrumentality devised to encourage countries which have received economic assistance from us to accept a greater responsibility to provide economic assistance to other countries.

There are already many organizations engaged in foreign assistance programs. Is there any necessity for a new one?

I believe that there is because IDA will be able to accomplish objectives no other organization can.

BILATERAL ORGANIZATIONS

Some existing organizations are agencies of the United States and operate exclusive with funds provided by the U.S. Government.

The Export-Import Bank, for example, finances the export of goods and services from the United States. It does not make loans which can be financed on reasonable terms by the private market, but it must have reasonable assurance of repayment in dollars. In other words, with the exception of a limited program in Public Law 480—Currencies, it makes conventional hard loans.

The International Cooperation Administration, established by the Mutual Security Act of 1954, makes loans and grants in U.S. dollars to countries included within the mutual security program. It also provides loans and grants from the local currency proceeds of sales of surplus agricultural commodities under Public Law 480.

The Development Loan Fund is another organization to assist the less developed countries. It provides for both loans and guarantees in connection with development projects. It operates under the foreign policy guidance of the Secretary of State and the Under Secretary of State is Chairman of the Board of its Board of Directors.

In all of the foregoing agencies aid is furnished exclusively by the United States without the assistance of any other country. This is appropriate under some circumstances where it is peculiarly to the advantage of the U.S. policy. In other situations, however, it may be detrimental. The leaders of a borrowing country might fear a political charge that the United States was attempting to bring about economic domination of their country. They would prefer to deal with a multilateral international agency. However, there is at present no international agency which can provide the type of assistance most needed.

INTERNATIONAL AGENCIES

The presently existing agencies are limited either in their geographical area or in the scope of their activities.

The new Inter-American Development Bank is similar to the IDA, except that its membership is limited to the United States and the 19 Latin American countries. Although the largest portion of its loans will be repaid in dollars or other hard currencies, it does have a fund for special operations. This fund will make loans in Latin America for projects which cannot be repaid in hard currencies, so

that the loan from the special fund may be repaid wholly or partly in the currency of the borrower.

The International Finance Corporation, like IDA, is affiliated with the International Bank for Reconstruction and Development—World Bank. However, it makes investments only in private enterprises in its member countries.

The International Bank for Reconstruction and Development—World Bank—makes loans for development purposes to its member countries. Its loans, however, must be repaid in the currency loaned, principally dollars or other hard currency. The World Bank deals in conventional, hard bankable loans.

REASONS FOR IDA

I believe that IDA can command enthusiastic endorsement.

There are four principal reasons for the United States to support and participate in the IDA.

The first reason is purely practical and self-centered. If the policy of the United States is to provide assistance to the underdeveloped countries, more aid can be given for each American dollar because other member countries will contribute. The United States will contribute \$320 million and the other member countries will contribute \$465 million in hard currency. Thus, for every \$3 contributed by the United States \$7 of hard currency will go to the underdeveloped countries. If the contribution of soft currencies is included \$10 of aid will go to the underdeveloped countries for every \$3 contributed by the United States. The economic advantages of this to the United States are obvious, and I would hope that in the future more and more aid could be channeled through IDA, rather than through the Development Loan Fund, in which the United States is the sole contributor.

The second reason for the use of IDA is that many of the underdeveloped countries have a fear, justified or not, that a bilateral transaction with the United States would subject them to economic domination. If the United States believes that a borrowing country should undertake fiscal, monetary or other internal reforms in order to qualify as a reasonable sound economic risk, the fears of such economic domination are intensified.

This leads logically to the third reason for IDA. IDA, in which the smaller and less developed countries are both borrowers and lenders, can, without offense, require much stricter terms and insist upon much more far-reaching internal reforms in the borrowing country than the United States could ever require. When the inevitable time for repayment comes, IDA, representing a group of nations, can be, where it is proper, more insistent than the United States acting alone could ever be.

The fourth and final reason for supporting IDA as an organization is one that is common to all organizations—the need for skilled and competent management and personnel. At least at the outset, there will be no necessity for additional personnel to manage IDA. It will

be run as a separate financial entity but as an affiliate of the World Bank. The World Bank has an enviable record of good management. There has been no suggestion of scandal or waste in its operations. It has recruited talented personnel from all parts of the world. This alone gives it an advantage over any purely U.S. agency. If the World Bank or IDA wish to study a highway project for Ghana for example, they are not limited to the United States in their search for an expert engineer who is familiar with Ghana. The whole world is a pool from which talent can be obtained.

Mr. Chairman, I say that every Member should support IDA.

Members who wish to reduce American expenditures for foreign aid should support IDA, and concentrate on programs where the U.S. contribution is 100 percent rather than 32 percent.

Members who are concerned about the U.S. deficit in international payments should support IDA.

Members who are concerned about waste in our foreign aid programs should support IDA because it will be managed by the World Bank which has an enviable record of careful, able management.

Members who wish to emphasize economic over military aid should support IDA.

Mr. Chairman, as an inspiration to all other members of IDA, I hope that the House will approve it by an overwhelming vote.

Mr. KILBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa [Mr. Gross].

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, I note on page 3 of the report this language:

On October 1, 1959, at the annual meeting of the Board of Governors of the International Bank, a resolution introduced by the United States urging that the executive directors formulate articles of agreement was unanimously adopted by the Governors.

Then on page 1 of the bill, line 7, is this language:

The President is hereby authorized to accept membership for the United States in the International Development Association.

I wonder if someone thinks we are gullible enough to believe that the President is accepting membership in an organization which he demanded be created?

On previous occasions I have asked the members of two committees to tell me the difference between "less developed" and "underdeveloped" countries, and I would like someone on this committee to tell me. I ask the gentleman from New York [Mr. MULTER] from the Committee on Banking and Currency, if he can tell me the difference between a "less developed" and an "underdeveloped" country?

Mr. JUDD. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I doubt that the gentleman would have the answer since I tried previously to get it from the Foreign Affairs Committee.

Mr. JUDD. You asked for an answer. Mr. GROSS. Yes, I did.

Mr. MULTER. May I ask the gentleman to yield to let the gentleman from Minnesota tell him?

Mr. GROSS. No; I would like an answer from the Banking and Currency Committee. Throughout consideration of this bill in committee you talked about "less developed" countries. Now I want some member of the committee to tell me the difference between "less developed" and "underdeveloped."

Mr. MULTER. We take so much of our information from members of the Foreign Relations Committee, I think it would be very satisfying if the gentleman from Iowa would permit the distinguished gentleman from Minnesota [Mr. JUDD], who knows so much about foreign affairs and serves on that committee, to answer his question.

Mr. GROSS. He would take all of my 5 minutes.

Mr. MULTER. Give him the 1 minute you would give me.

Mr. GROSS. No; I would rather accept your admission that you cannot tell me the difference.

Mr. JUDD. The gentleman does not want to get the answer.

Mr. GROSS. I want the answer to come from the Banking and Currency Committee. I tried to get the Foreign Affairs Committee, of which the gentleman from Minnesota is a member, to give me an answer in a different bill, but I was unable to get it.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield.

Mr. MULTER. Has the gentleman, perchance, seen the special report of the National Advisory Council on the proposed International Development Association printed as House Document No. 345?

Mr. GROSS. No; I cannot keep up with all the advisory boards, bureaus, and commissions, I am sorry to say.

Mr. MULTER. This is one that has a very important bearing on the bill that is before us. It is a document of 50 pages; therefore, although we relied on it, we did not set it forth as part of our report but had it printed separately as a House document, but at the hearings it was a very important base for our thinking.

Mr. GROSS. Do not take all my time trying to sell me some pamphlet.

Mr. MULTER. This is not another pamphlet, this is the very foundation.

Mr. GROSS. Does the distinguished gentleman know the difference between a "less developed" and an "underdeveloped" country?

Mr. MULTER. Here are 50 pages that should enlighten the gentleman.

Mr. GROSS. If there is any distinction, what is it? Is there a definition in words?

Mr. MULTER. Under the names of the countries you will find the definition of underdeveloped.

Mr. GROSS. That is a list of countries, and that does not give the definition. I want to ask the gentleman this question: What is the meaning of this exception on page 3, section 5:

Unless Congress by law authorizes such action, neither the President nor any per-

son or agency shall, on behalf of the United States (a) subscribe to additional funds under article III, section 1, of the articles; (b) accept any amendment under article IX of the articles; or (c) make a loan or provide other financing to the association—

Then we come to this language—
except that loans or other financing may be provided to the association by a U.S. agency created pursuant to an act of Congress which is authorized by law to make loans or provide other financing to international organizations.

What is the meaning of that?

Mr. MULTER. The meaning of that is to make clear to the agency that we are not trying to repeal or change any existing statute and, more specifically, this would permit a better operation of Public Law 480 when integrated into this program and not do the job itself.

Mr. GROSS. What you are saying with this exception is that this bill is not limited to \$320,290,000; that this newly christened baby, known as IDA, can obtain money from any other agency now in the same business?

Mr. MULTER. It does not mean that at all.

Mr. GROSS. Of course, it does.

Mr. MULTER. Because of the limit of the authorization and because of the limit of the appropriation. It must follow the authorization and cannot exceed \$320 million over a 5-year period.

Mr. GROSS. Except that financing may be provided to the association by any agency presently in the business of putting out money on this basis. I reiterate that with this cute little exception this bill is not limited to \$320 million; it is unlimited.

Mr. SPENCE. Mr. Chairman, I yield 3 minutes to the gentleman from Colorado [Mr. JOHNSON].

Mr. JOHNSON of Colorado. Mr. Chairman, I rise in support of this legislation. We live in a capital-hungry world, and the institutions we have created and that have been referred to are designed in part to see to it that capital is available in the world, in order to expand the opportunities for growth and development and to preserve and expand freedom and opportunity in the world.

The proposition here is not to create a new agency, but simply to add a new bank account within an existing agency, to put a new wallet in the same pocket, or to add a new hat to an existing body of our International Bank. This will be in fulfillment of a recommendation, made among others, by Mr. Harry S. Truman.

Just a year ago we had a public meeting on the 10th anniversary of the point 4 program. Many Members of Congress were present to hear President Truman say that it should be the purpose of this Nation to move to multilateral rather than a bilateral program, that we expand the use of loans rather than grants, and that we rely more on economic measures than on military measures.

This is precisely what we are doing when we give approval of the International Development Association. The question has come up: "What is the alternative?" The alternative would be

bilateral instead of multilateral, less use of loans, and more of grants. There is another alternative we are overlooking, however, and that is the Communist alternative. A nation that is hungry for capital can get it in a hurry by the Communist technique. If we do not offer the opportunity for these nations to achieve their own growth and development by a system which teaches them the use of freedom and the uses of our capitalistic system, then we can expect that our adversaries will encourage them to try the Communist alternative. It is to the best interest of the world that this bill be approved.

A couple of technical questions have been asked. I do not think, for instance, there is any difference between "less developed" and "underdeveloped" countries. On page 7 will be found a listing of the countries. Those listed in No. 1 of schedule A shall pay their proportionate share in gold or convertible currencies, while those countries in part 2 of the schedule may pay in their own national currencies. The countries listed in No. 1 are those economically more advanced and which would not be expected to be recipients of financing from the Association.

Mr. Chairman, as a Nation we would like to do business with the rest of the world. We cannot do business with paupers. If we help to raise their standard of living, we can do more trading with them; we can open our factories in Pittsburgh and expand our steel mills and give employment to our coal miners. I recommend that the bill be approved.

The CHAIRMAN. The time of the gentleman from Colorado has expired.

Mr. KILBURN. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. LINDSAY].

(Mr. LINDSAY asked and was given permission to revise and extend his remarks.)

Mr. LINDSAY. Mr. Chairman, I welcome the opportunity to support the passage of H.R. 11001 which authorizes U.S. membership in the International Development Association.

The creation of the IDA will be a desirable new step forward in bringing together important amounts of capital from the economically stronger countries of the free world for the financing of sound economic development. The IDA is needed, because the kind of financing it would provide is sorely needed throughout the less developed areas of the world. It will be able to provide to these areas additional financing for worthwhile development projects on terms more flexible than are afforded by other international institutions.

In these critical times it is of major importance to us and to our Western partners that appropriate new efforts be made, on a cooperative basis, toward meeting some of the key problems of achieving economic betterment. Furthermore, it has come to be recognized more and more that the United States must be joined more actively by the other economically stronger nations in this common endeavor. These nations can now assume a greater responsibility

for providing development financing, and through the establishment of the IDA they will be embarking in this field in a manner and in a scope not hitherto undertaken by them.

I think it is appropriate, too, that the IDA will be affiliated with the International Bank and be open to all members of the International Bank. This means that the important work of the Bank can continue to be carried out with a relationship with the IDA favorable for both institutions. The International Bank's success has come to be widely recognized, and its own role for the future may well be even more important than that in the past. As an affiliate of the Bank, the IDA can be administered with the same skill that has characterized the Bank's operations, and the IDA will effectively be able to devote its resources in an area of operations not covered by the Bank. Coordination of the activities of the two institutions has been well thought out and well provided for.

I believe that the years of discussions which have been devoted to the IDA concept, here and abroad, and the careful preparation of the IDA Articles of Agreement will be well justified in the success of its operations. Certainly its aims are very much in accord with our own foreign economic policy objectives. I therefore wholeheartedly support the enactment of H.R. 11001.

Mr. KILBURN. Mr. Chairman, I yield 1 minute to the gentleman from Minnesota [Mr. JUDD].

Mr. JUDD. Mr. Chairman, I want to say to the gentleman from Iowa, in answer to his question, that there is no essential difference between so-called underdeveloped and less developed countries. Some use the term "less developed" and others say "underdeveloped." I think the term "less developed" is preferable, first, because it is more accurate, more precise. Just where can anyone put the demarcation between underdeveloped and developed? But it is plain that some countries are less developed than others. Secondly, it may be offensive to some countries to call them "underdeveloped," when we cannot say exactly what that means. It may carry a certain amount of stigma. But to speak of a country as less developed indicates merely that it is not as far along on the road of development as some other countries. It is in the process of development, and we are trying to help it move ahead in that process. So I think it is a good choice of terms, a sensitive change in vocabulary, to speak of countries as less developed rather than as underdeveloped.

I may add that our choice is not between putting these funds into IDA and not giving them. It is between giving them in cooperation with others who will share the burden, and giving them alone. It is just good sense for us to give less aid alone and give more aid in cooperation with others.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. KILBURN. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. DOOLEY].

(Mr. DOOLEY asked and was given permission to revise and extend his remarks.)

[Mr. DOOLEY addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. KILBURN. Mr. Chairman, I yield 1 minute to the gentleman from New York [Mr. BARRY].

Mr. BARRY. Mr. Chairman, I support this legislation. I would like to point out to some of those who made statements with respect to the debt that lies on the head of every infant born today, that debt lies on the heads of those who are in favor of this legislation just as much as it does on the heads of those who do not favor it. I would like to remind the Members who made statements along this line that debt in itself is not something that we should fear. It is only our inability to repay the debt that is something that we should fear. For someone to pay a \$100,000 debt who has an income of \$5,000 a year may take a lifetime to pay, but to someone with a very high income, such a debt of \$100,000 is not a heavy debt. So, I point out the inconsistency of comparing a dollar figure of debt payable by each infant in this country to the dollar figure payable by each infant of another country where there may not be that opportunity to repay the debt.

Mr. HOFFMAN of Michigan. Mr. Chairman, I again make the point of order that a quorum is not present.

The CHAIRMAN. The chair will count. [After counting.] One hundred and twelve Members are present, a quorum.

Mr. KILBURN. Mr. Chairman, I have no further requests for time.

Mr. SPENCE. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, in my humble opinion this is one of the most important pieces of legislation that we have considered in a long time. It has been stated that we have been lavish in our expenditures in aid of our foreign allies. We have just voted an appropriation of \$3 billion for foreign aid. I do not think that is an argument against the passage of this bill. I think that this bill will materially reduce these appropriations. The money we spend through the International Development Association will be handled by businessmen who are tried and who are known to have ability, who operate a great organization, the International Bank. I am sure that eventually there will be great savings because of the way in which this will be handled and because of the associates who will share part of the burden.

Mr. Chairman, I hope the bill will pass. I think the consequences of failure to pass this bill would be tragic. We have gone too far to repudiate an agreement with the nations of the world to share with them this burden. I hope there will be no miscarriage of that obligation by reason of the action of the House.

The CHAIRMAN. All time has expired. The Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "International Development Association Act".

ACCEPTANCE OF MEMBERSHIP

SEC. 2. The President is hereby authorized to accept membership for the United States in the International Development Association (hereinafter referred to as the "Association"), provided for by the Articles of Agreement (hereinafter referred to as the "Articles") of the Association deposited in the archives of the International Bank for Reconstruction and Development.

GOVERNOR, EXECUTIVE DIRECTOR, AND ALTERNATES

SEC. 3. The Governor and Executive Director of the International Bank for Reconstruction and Development, and the alternate for each of them, appointed under section 3 of the Bretton Woods Agreements Act, as amended (22 U.S.C. 286a), shall serve as Governor, Executive Director and alternates, respectively, of the Association.

Mr. ALGER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I take this time to ask one or two questions. I was a little slow to understand some of the report. I should like to direct a question to the gentleman from New York [Mr. MULTER] or some member of the committee who may be able to answer this.

Is there a discretionary use of Public Law 480 funds, the foreign currencies; if so, what is that discretionary use, and what limitation, if any, is there in the use of these funds in addition to our subscription?

May I say to the gentleman I am looking at the report at page 7 and my question relates to the following from the report:

The United States may make available to the Association as supplementary resources currencies of other countries which it has acquired.

Is there any limitation as to how much money in our foreign currencies or counterpart funds, and so forth, we can use?

Mr. MULTER. We have been assured by the administration that they do not intend to use more than 10 percent of the funds generated by Public Law 480 for these purposes.

Mr. ALGER. That is just the administration's discretion rather than written into the bill, is that correct?

Mr. MULTER. That is correct.

Mr. ALGER. Secondly, I notice also in the report that these loans can be made to governments or to private businesses or a group of businesses. Is there any limitation there as to who may get these loans? Could a U.S. corporation or a domestic corporation in any one of these countries get a loan through this organization?

Mr. MULTER. I think not. I do not believe there is anything here to permit American corporations to apply to the International Development Association for a loan. The World Bank has in the past required a country to approve of a loan where one of its political subdivisions applied for a loan. The Bank invariably required the country in which

that political subdivision was located, to guarantee the payment. We have the same situation here. If a subdivision or someone within a member country seeks a loan from the International Development Association, I am sure that in accordance with good banking practice they will not make that loan unless they get the approval and guarantee of the country which is a member of the Association.

Mr. ALGER. I appreciate the gentleman's answer.

I am looking at page 8 of the report, which states:

Private enterprises, as well as governments or public bodies—

Whatever that is—

are eligible to receive financing from the Association.

That seems to be so broad I wonder where the limitation is.

Mr. MULTER. The gentleman must bear in mind that the overall limitation in the articles themselves provides that no corporation within a country and no political subdivision of a country can get a loan without the approval of its government. This is not intended to help the United States or parts of the United States or territories of the United States, nor is it intended to help American corporations or individuals.

Mr. ALGER. A U.S. corporation in a less developed country would not be able to get such a loan?

Mr. MULTER. Certainly not without the approval or consent of the U.S. Government.

Mr. ALGER. It could get such a loan?

Mr. MULTER. Under this very broad language it could be interpreted that way, but I am sure it is not intended to be interpreted that way.

Mr. ALGER. Has the committee given any thought to how many of these loans would go to support and encourage socialistic governments at our expense, in the sense that these governments are in an ideological war with us to squeeze out free enterprise? Is there any danger of that?

Mr. MULTER. I think we have eliminated that danger in the exploration of the problem. These various gentlemen, the Secretary of the Treasury and the Under Secretary of State, gave us answers that I think clearly indicate this will not be used to aid any country which is subverting our principles and our ideas of the way the free world should operate. The specific question was asked about Castro in Cuba. The answer was that with the situation as it exists in Cuba today they would not consider making a loan to Cuba.

Mr. ALGER. How about Yugoslavia?

Mr. MULTER. The question was not asked about Yugoslavia. If Yugoslavia should find itself at some time among the countries that are looked upon as unfriendly to us, I think it, too, would be denied any assistance under this program.

(Mr. ALGER asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I ask unanimous consent that the further reading of the bill be dispensed with.

Mr. GROSS. Reserving the right to object, Mr. Chairman, this is a short bill. Why not read another page or two? This bill is only about 5 pages long. What is the hurry? I object.

Mrs. CHURCH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise at this time to ask a few questions of the gentleman from New York [Mr. MULTER]. There were several points in his presentation on which I seek further clarification.

I understood the gentleman to say that an agreement on this new association had been reached among all the nations included. I am wondering, concerning the negotiation of this agreement, whether it was entered into only by the appropriate representatives of the World Bank, or whether actually representatives of all of the nations listed on page 4 were called into session and agreed that their respective countries would go along with this proposed program.

Can the gentleman answer that question?

Mr. MULTER. We have been assured that the World Bank was unanimous in recommending that we approve these Articles of Agreement. We have been assured by our own State Department and Treasury Department that each of the countries listed on page 50, which constitutes 68 countries that would participate as members of the association, have indicated their agreement to each of the Articles of Agreement as set forth in the report.

Mrs. CHURCH. May I ask the gentleman if the list to which he refers on page 50 is identical to the list on page 4 of the committee report?

Mr. MULTER. Yes; it is.

Mrs. CHURCH. Then a limitation exists that no funds can be given to underdeveloped or less developed countries unless they have contributed to, and have membership in, this proposed union. Is that correct?

Mr. MULTER. Yes; precisely.

Mrs. CHURCH. I would say to the gentleman that I would certainly approve of what is attempted to be done in this bill, if it would actually bring the anticipated relief to our own unilateral efforts. What bothers me, I would also say to the gentleman, is the timing of its introduction. I have demanded so long a complete review and revision of our mutual security programs, and of their effectiveness, that I would have preferred to have had such review and revision before entering upon this new effort. I must indeed express regret that we are taking a new step in another direction without first giving the entire program the review which I think is necessary. Has any assurance been given to the gentleman, in or out of committee, that the adoption of this plan and the payment of these additional moneys would actually be considered by this administration or a coming administration as a possible substitute by which we could diminish or alter our present responsibilities? Was any assurance given on that point?

Mr. MULTER. Assurance has been made on the record by the State Department and the Treasury Department that this would be a step in the direction of having the free world communities participate in doing what we are doing to a large extent unilaterally, and would relieve the burden of the United States and permit the United States to use less of its own funds for these other countries.

Mrs. CHURCH. Was there any definite assurance that some progress would be sought in that direction?

Mr. MULTER. I would hate to think that the representatives of the State Department and the Treasury Department were engaging in double talk. From their explanations and from their conferences with the representatives of all of these other countries, they expect this new program will relieve the burden on the United States, and these loans would take the place of the loans that we, the United States, are now making.

The CHAIRMAN. The time of the gentlewoman from Illinois [Mrs. CHURCH] has expired.

(Mrs. CHURCH asked and was given permission to revise and extend her remarks.)

Mr. O'HARA of Illinois. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, it is because I feel so strongly on this subject and support the bill with such depth of conviction that I cannot resist the urge to contribute a few observations. This bill points the way out of our present position of a continuing drain on us for foreign aid.

I have a great deal of confidence in Mr. Dillon as a sound businessman. Mr. Dillon is a great banker. Mr. Dillon is no visionary. When he appeared before our committee, the Foreign Affairs Committee, I said:

Mr. Dillon, my concept of the Development Loan Fund is that in each country it will build up a revolving fund of local currency. That is, the loans will be made on the same sound banking lines as the loans made by the Export-Import Bank and by the World Bank, the only difference being that some of the repayments will be made in soft currency. Then the repayments in soft currencies in each country will go into a revolving fund in that country.

And Mr. Dillon answered me in positive language. That was the concept.

Let me illustrate: Suppose we make a loan to ABC country in hard money because they have to buy goods in this country. Repayment is made in the currency of ABC country and this goes into a revolving fund of local currency in the country of its issue. From this revolving fund future loans will be made for little and big undertakings in that country, looking for its development at grassroots, and undertakings in which both labor and materials will be available in that country by payment in local currency. Thus in all these countries we will be building up revolving funds to meet future development requirements without further or at least a much lessened demand on our aid.

Mr. Dillon was before our Foreign Affairs Committee when the International Development Fund proposal was under consideration. He told us that the international organization would be a

projection of the same concept on a broadened basis with many countries participating and sharing the burdens. In short, the international development program will be the companion of the Development Loan Fund exactly as the International Bank is a companion of the Export-Import Bank.

This is sound thinking and this is sound legislation. I have one more observation to make. We have now under way a \$1½ billion program of the merchant marine to build 275 new American vessels. This is a differential subsidy; and \$1.5 billion is being put in at a time when worldwide ocean tonnage is very much greater than the demand. I merely am mentioning this to show how so many things are related and must hook together in making judgments on foreign aid. If we do not build up commerce, if we do not build up the economy of other less developed countries, so that they will have products to export and markets for our exports, there will be less and less tonnage for these ships to carry and our \$1.5 billion will be money spent on ships to carry freight when there is no freight.

Mr. BAILEY. Mr. Chairman, will the gentleman yield?

Mr. O'HARA of Illinois. I always am happy to yield to the gentleman from West Virginia.

Mr. BAILEY. The gentleman spoke of building up revolving funds. Will the gentleman tell me where this legislation makes any provision for the conversion of that soft currency into hard American dollars when time for repayment to the U.S. Treasury comes?

Mr. O'HARA of Illinois. Yes.

Mr. BAILEY. I have not been able to find out yet.

Mr. O'HARA of Illinois. If a better economy is established in any country now undeveloped so it can stand on its own feet, using the local currency in its own revolving fund for future development, the United States at least will be relieved of further demands for aid, and I think with better world conditions things will be brighter in West Virginia.

Mr. BAILEY. The gentleman is evading answering my question.

Mr. O'HARA of Illinois. I appreciate that there have been inequities. Whereas the reciprocal trade agreements have benefited my district and I am sure the country as a whole, nevertheless they have reacted unfavorably on some regions, and certainly no one has presented the case more persistently or with greater force than my good friend from West Virginia.

Mr. BAILEY. I thank the gentleman for yielding to me.

Mr. O'HARA of Illinois. I thank the gentleman for his contribution and yield back the remainder of my time.

Mr. DEVINE. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, if I may have the attention of some member of the committee, the gentleman from Ohio [Mr. Bow] made a very telling argument here in the well of the House this afternoon. Specifically, he pointed out that the overwhelming majority of so-called participants in this lending program are

presently receiving benefits from the Mutual Security Act. I find it very difficult to reconcile the position of some of the Members. First, is it true that the great majority of participants in this program are already receiving mutual aid contributions from this country?

Will the gentleman from New York [Mr. MULTER] answer that question?

Mr. MULTER. I think that question might better be answered by somebody on the Appropriations Committee or somebody on the Committee on Foreign Affairs. I would venture the guess that most of those countries are getting aid under one or more of the mutual security programs.

Mr. DEVINE. It would seem to me that points up the fallacy of this bill. I have attempted to listen attentively today in an effort to find an answer where participation of the United States would be less and the participating countries would join with us in keeping up a free world and a free economy. If all these countries are receiving mutual security money from this country, then putting money into this loan program, it is a case of robbing Peter to pay Paul. We take out of one pocket and put it in another and they are not in any better position than before. They get money from the United States under the Mutual Security Act, then "generously" contribute our money as their share in this proposed additional loan program.

Mr. MULTER. Does not the gentleman think that is much better than continuing the development loan fund that is financed solely by the United States? We bring these countries into an International Development Association where they are all participants.

Mr. DEVINE. I agree definitely it is the type of thing we should encourage, but if we are giving them the money to do it, it does not appear to be very advantageous.

Mr. FARBSTEIN. Mr. Chairman, will the gentleman yield?

Mr. DEVINE. I yield to the gentleman from New York.

Mr. FARBSTEIN. Might I suggest that although it is proposed to give further moneys to these free countries that are presently receiving money, nevertheless in the future it may be unnecessary to give as much money under the present Development Loan Fund, as we are doing presently. In my opinion, we may be able to reduce the appropriation for the present Development Loan Fund, besides which there are certain countries that are getting nowhere near what they need; for instance, these newly emerging countries in Africa. There is in all about \$20 million appropriated for Africa, as special assistance so loans are much more needed. Under this bill there will be money contributed not alone by this country, not alone by the Development Loan Association, but money will be contributed by all the countries that are joined in this International Development Association.

Mr. DEVINE. I appreciate the gentleman's remarks, but I am a little skeptical that these countries are going to ask for less in the future under the Mutual Security Act.

Mr. FARBSTEIN. Assuming they ask for more, there will be two funds from which they will be loaned money and, as I said a moment ago, the money that will be loaned by this country under the Development Loan Fund may be less. The money loaned from the International Development Loan Fund will make up the difference. So that in the final analysis we will save money as a result of this because the other countries that will join in the International Development Association will contribute toward loans, for instance, to these countries in Africa.

Mr. DEVINE. I am sure the gentleman is sincere in his beliefs, however, I am not so optimistic in view of the history of the foreign aid program.

Mr. RHODES of Arizona. Mr. Chairman, will the gentleman yield?

Mr. DEVINE. I yield to the gentleman from Arizona.

Mr. RHODES of Arizona. I think the gentleman referred to nations listed in the committee report. I have gone over the list very hurriedly and of the nations listed in part 2, all but eight are receiving some form of assistance under the Mutual Security Program.

Mr. DEVINE. I thank the gentleman.

Mr. BOW. Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, I take this time to ask the gentleman from New York for an explanation of one paragraph I call attention to appearing on page 3 of the bill at the end of line 4, where it says, "except that loans or other financing may be provided to the Association by a U.S. agency created pursuant to an act of Congress which is authorized by law to make loans or provide other financing to international organizations."

My question is this: Does that refer to organizations already created and existing which can make loans to this agency?

Mr. MULTER. Yes; it does.

Mr. BOW. Could the gentleman give me an example of the type of agency already created that could help in this financing of transfer funds?

Mr. MULTER. Public Law 480 is definitely included in this language.

Mr. BOW. That contemplates that under Public Law 480 transfers may be made to the International Development Association to further finance these loans to these various countries?

Mr. MULTER. One of the advantages that we hope would accrue to us, instead of these currencies being blocked in the countries that are getting Public Law 480 commodities, they would be able to use these very funds in those and other countries.

Mr. BOW. And transfer them over to this organization?

Mr. MULTER. Yes.

Mr. BOW. I assume that would be some of the other financial organizations already existing. If we were at a point, say, of liquidation, you would be able to take from that fund and put it into this agency; is that correct?

Mr. MULTER. I do not know that we contemplate the immediate liquidation of any fund, but it certainly was intended that they could, to extent per-

mitted by an act of Congress, make these transfers.

Mr. BOW. Is it the gentleman's idea that the only time this provision could come into being would be after some association or agency is created in the future? It could be those now in existence.

Mr. MULTER. I think it is intended to refer to those which are presently authorized by law—"which is authorized by law," is the language of the bill. That means as existing now.

Mr. BOW. Existing at this time?

Mr. MULTER. Yes.

Mr. BOW. I thank the gentleman.

The Clerk read as follows:

NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

SEC. 4. The provisions of section 4 of the Bretton Woods Agreements Act, as amended (22 U.S.C. 286b), shall apply with respect to the Association to the same extent as with respect to the International Bank for Reconstruction and Development and the International Monetary Fund. Reports with respect to the Association under paragraphs (5) and (6) of subsection (b) of section 4 of said act, as amended, shall be included in the first report made thereunder after the establishment of the Association and in each succeeding report.

CERTAIN ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

SEC. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States, (a) subscribe to additional funds under article III, section 1, of the articles; (b) accept any amendment under article IX of the articles; or (c) make a loan or provide other financing to the Association, except that loans or other financing may be provided to the Association by a U.S. agency created pursuant to an act of Congress which is authorized by law to make loans or provide other financing to international organizations.

Mr. BOW. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. BOW. Mr. Chairman, I make the point of order against the language on page 3, beginning at the end of line 4 down through line 8, except that loans or other financing may be provided to the Association by a United States agency created pursuant to an act of Congress which is authorized by law to make loans or provide other financing to international organizations."

I will say to the Chair that I have made inquiry of the committee here on the floor and the committee says that these are organizations already in existence, with the possibility of transfers being made under Public Law 480 or by other organizations now authorized to make loans to these various countries. I make the point of order that this is a transfer of appropriated funds and is an appropriation on a legislative bill.

The CHAIRMAN. Does the gentleman from New York desire to be heard on the point of order?

Mr. MULTER. Yes, Mr. Chairman. I suggest that the point of order should be overruled. I do not think I said anything to indicate that there was any attempt to transfer any appropriated funds or any authorized funds.

May I read from page 11 of the report which refers precisely to the language now under attack by the point of order?

The excepting clause does not confer upon any U.S. agency any authority it would not otherwise have and is intended to make clear that the prohibitory language does not in any way narrow, or preclude the use of, authority which any agency of the U.S. Government, including the President, possesses under other legislation to make loans or provide other financing to international organizations, including the International Development Association.

I suggest the point of order is not well taken.

Mr. BOW. Mr. Chairman, may I reply to that and say that the one I am referring to is the exception to what the gentleman from New York has just stated.

Mr. MULTER. I have referred only to the language which begins with the words against which the point of order is made. It is that exception to which the report from which I have read is directed.

The CHAIRMAN (Mr. SISK). The Chair would like to inquire of the gentleman from New York whether or not he interprets this to be that the U.S. agencies could use funds heretofore appropriated for the purposes of this section?

Mr. MULTER. Only if so authorized by the enabling or enacting legislation and the appropriation making the funds available to such other agencies.

The CHAIRMAN (Mr. SISK). The Chair is ready to rule. Under the interpretation of the gentleman from New York, the point of order would lie; and therefore the Chair sustains the point of order.

Mr. GROSS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Gross: On page 3, line 4, after the word "Association," insert the following: "Provided, however, That the Congress hereby authorizes and directs the Association, as a condition of any contribution on the part of the United States, to make loans on the same terms and conditions to any distressed or less developed area in the several States of the United States as to any foreign state or nation."

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. The purpose of the amendment, I will say to the Members of the House, is to do for the people of this country what is proposed to be done in this bill for untold numbers of foreigners. The general purposes of this bill, as I have previously stated, in my statement under the rule, are the same as the general purposes of the vetoed distressed-areas bill. The report of the committee accompanying this bill says that financing can be provided to less developed member countries or to less developed dependent and associated Territories. Certainly that means the States and the subdivisions of government within the States of the United States. So why not extend the good things of life to the people of this country? Why should not the distressed

areas of America have their share of this global boondoggle?

I urge that the amendment be adopted.

Mr. KILBURN. Mr. Chairman, I am very much opposed to the amendment. I do not think it is germane to the bill and I could make a point of order against it.

The CHAIRMAN. The point of order would come too late.

Mr. KILBURN. I am not making the point of order.

The CHAIRMAN. The question is on the amendment.

The question was taken; and on a division (demanded by Mr. GROSS) there were—ayes 45, noes 46.

Mr. GROSS. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. Gross and Mr. MULTER.

The Committee again divided, and the tellers reported that there were—ayes 48, noes 61.

So the amendment was rejected.

The Clerk read as follows:

DEPOSITORIES

SEC. 6. Any Federal Reserve Bank which is requested to do so by the Association shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

PAYMENT OF SUBSCRIPTIONS

SEC. 7. (a) There is hereby authorized to be appropriated, without fiscal year limitation, for the subscription of the United States to the Association, \$320,290,000.

(b) For the purpose of keeping to a minimum the cost to the United States of participation in the Association, the Secretary of the Treasury, after paying the requisite part of the subscription of the United States in the Association required to be made under the articles, is authorized and directed to issue special notes of the United States from time to time, at par, and to deliver such notes to the Association in exchange for dollars to the extent permitted by the articles. The special notes provided for in this subsection shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the purposes for which special notes are authorized and directed to be issued under this subsection, but such notes shall bear no interest, shall be nonnegotiable, and shall be payable on demand of the Association. The face amount of special notes issued to the Association under the authority of this subsection and outstanding at any one time shall not exceed, in the aggregate, the amount of the subscription of the United States actually paid to the Association under the articles.

(c) Any payment made to the United States by the Association as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

JURISDICTION AND VENUE OF ACTIONS

SEC. 8. For the purpose of any action which may be brought within the United States, its possessions, or the Commonwealth of Puerto Rico, by or against the Association in accordance with the articles, the Association shall be deemed to be an inhabitant of the Federal judicial district in which its principal office in the United States is located, and any such action at law or in equity to which the Association shall be a party shall be deemed to arise under the

laws of the United States, and the district courts of the United States shall have original jurisdiction of any such action. When the Association is a defendant in any such action, it may, at any time before the trial thereof, remove such action from a State court into the district court of the United States for the proper district by following the procedure for removal of causes otherwise provided by law.

STATUS, IMMUNITIES, AND PRIVILEGES

SEC. 9. The provisions of article VII, section 5(d), and article VIII, sections 2 to 9, both inclusive, of the articles shall have full force and effect in the United States, its possessions, and the Commonwealth of Puerto Rico, upon acceptance of membership by the United States in, and the establishment of, the Association.

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word.

(Mr. McCORMACK asked and was given permission to revise and extend his remarks.)

Mr. McCORMACK. Mr. Chairman, legislation of this kind has been advocated for a long while by Members of Congress, those who favored mutual security legislation and appropriations and those who opposed it.

I well remember hearing Members who opposed mutual security legislation and appropriations in their argument of our position in the past, taking the position that legislation of this kind should be enacted into law. Now when we have it before the House we find the same Members opposing the very type of legislation they advocated in the past.

This bill is a sound bill in the world of today. Is it going to solve the world's problems? No. But certainly it is affirmative action on the part of our country and other participating countries in meeting those conditions which are strengthening communism by feeding upon and playing upon the economic distress of people of underprivileged countries.

I can remember talking with the late John Foster Dulles on one occasion when he advocated legislation of this kind. May I say that I am one Member of this body who was a strong supporter and a great admirer of the late John Foster Dulles. To me he represented strength. To me he represented firmness. He was not afraid of the Communist mind. Khrushchev and those in the Kremlin hated John Foster Dulles because they feared him. I remember a few weeks after he died I said in this very chamber that when John Foster Dulles died his foreign policy was buried with him. How true it is. If John Foster Dulles were alive today there would have been no summit meeting at any price. There would have been a foreign ministers meeting and progress at that level before the President would have gone to a summit meeting. If John Foster Dulles were alive, I doubt if we would have had the happenings that took place in Japan. I doubt if Korea would be shaky at the present time. Even Okinawa has its problems to us. I doubt if John Foster Dulles were alive today there would have been the mistakes that were made on the U-2. I doubt if John Foster Dulles were alive the situation in Turkey would have arisen; certainly the situation in Cuba would not.

Thus, the uncertainty, the confusion, and the disintegration has taken place, so far as the administration is concerned, since John Foster Dulles died. He represented the one thing that is necessary in a democracy, he represented strength and firmness.

We need leadership for the restoration of the strength and firmness and courage of John Foster Dulles. This legislation, I remember well in a talk with him, was one upon which he laid great emphasis. Certainly some of us on the Democratic side in supporting it are justified in expecting support from others on the Republican side, and certainly those who oppose mutual security legislation and appropriations ought to support this type of legislation because it is consistent with their views. This bill will bring a lot of good and certainly it is needed in the world of today because no American can feel other than concerned over developments during the last year.

Mr. JUDD. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise in support of this bill for a whole lot of good reasons. I agree with what has been said by several that whether you have been for mutual security or against mutual security in the past, you ought to be for this bill, because it is at least a start on the way to cure some of the things we have all been unhappy about in mutual security. There are about six reasons why I am for this bill.

First. Under it we get more money for development. It is not just what the United States puts in. It is what the United States and many other countries put in to carry on development programs that we all know are necessary in crucial areas of the world.

Second. Under this new International Development Association we will get more and better experts from many countries, experts with greater knowledge of the language and customs of many of the countries where work will be done. With better experts we will get better management and better cooperation from all who are mutually involved in this undertaking.

Third. We will get more work done. With more money, better management, better experts, wider knowledge of conditions, there is bound to be more development accomplished, more work done.

Another point is that people who put in their own money are more careful in the expenditure of the funds of the organization and there will be less waste.

A related point is that countries having their own money in this fund will try harder to prevent waste in other countries than they do if the money is all ours. Also other countries will not be as resentful of pressures for saving and efficiency if such pressures are brought to bear upon them by smaller countries more nearly on their own level or in their own area than they are if brought by a powerful country like ours that is always being portrayed to them by our enemies as a big evil and imperialistic force in the world.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. JUDD. I yield to the gentleman from Indiana.

Mr. HALLECK. I wish to commend the gentleman for the statement he is making and join him in expressing the hope that this bill can be quickly disposed of and be passed very shortly.

Mr. JUDD. I thank the gentleman from Indiana.

Thus, Mr. Chairman, if there is more money for development and better management, more work done and less waste, naturally, there will be better cooperation among the contributing countries who put in funds. It is partly their own money, not just Uncle Sam's.

Fifth. There will result fewer frictions and more good will among all the countries involved, including the recipient countries. It is much easier for a small or poor country to receive assistance through some country that is nearer to its own level or from an international organization than from a powerful country that, as I said, is portrayed by our enemies as being a giant financial octopus, the prime example of allegedly cruel capitalism, imperialism and all the other cusswords they throw at us.

Lastly, when we get greater good will and better relations between countries, we will get a more stable world, a more secure world, one in which there is greater cooperation in mutual efforts to help all.

All these benefits—and more besides: it will enable us to save money. Our choice is not between the amount authorized in this bill and something less; it is between this amount and something more. So, under this bill, other nations will be better off, we will be better off; and it will cost our taxpayers less money net.

Obviously we ought to support this piece of legislation.

Mr. GROSS. Mr. Chairman, I move to strike the requisite number of words.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, when the gentleman from Indiana [Mr. HALLECK] says he hopes this bill will be quickly disposed of, I join with him. I hope it will be sunk without a trace.

I hear reports that the mining subsidies bill will be vetoed. If it is, how will President Eisenhower reconcile that action with the huge subsidy contained in this bill for foreign countries and their industries?

The gentleman from Minnesota says this bill provides more money to be given away and thrown away all over the world. He could never be more right. He speaks of the great record of the existing international lending agencies. Of course they will have good records as long as Congress approves bills like this pumping out more money to enable them to meet their obligations. But where is it proposed to get this initial \$320 million? And where is it proposed to get the rest of the money that this Government will be called upon to put up because some of the countries listed

will not put up their assessments, and you know it. From what source is the \$320 million to come? Will someone on the committee answer? Is it proposed to raise taxes, or to deprive the people of this country of the things they need?

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from New Jersey.

Mr. WIDNALL. The first installment was included in this year's balanced budget as submitted to the Congress of the United States. It is an item in the budget and that budget indicates a surplus for the year. If Congress takes action on other unbudgeted items it could throw the budget out of line.

Mr. GROSS. The gentleman does not have the slightest idea we are going to wind up with a \$4 billion surplus, does he?

Mr. GARY. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Virginia.

Mr. GARY. Is it not true that the balanced budget was based on an increase in postal rates, an increase in certain taxes and various other revenues for which there is absolutely no chance in the world of the Government collecting the money?

Mr. GROSS. That is exactly right. Again, I want to express my amazement that the President of the United States would veto a distressed areas bill and then put the pressure on the Congress to approve this bill to give away \$320 million.

Mr. GARY. How many of these lending agencies do we have in operation now?

Mr. GROSS. With this new baby known as IDA I know there will be seven big ones. Someone said there are 26 of all sizes, shapes, and colors. I do not know. I cannot keep track of them.

Mr. HOFFMAN of Michigan. Will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Michigan.

Mr. HOFFMAN of Michigan. The gentleman from Texas [Mr. PATMAN] said this afternoon that there were 25. If I remember correctly, he looked at his book, then, and said there were 40. Then from over on the other side came a Member who said there were 72. He said he would give me a list of them.

Mr. GROSS. I only know there are far too many of them, and if the Eisenhower doctrine or foreign policy is based on yielding to a form of international blackmail through loans of more millions of American dollars that will never be repaid then we are certainly approaching the end of the road.

Let us defeat this bill and by so doing serve notice that U.S. foreign policy is based upon something besides dollars and the dissipation of the resources of our people.

Mr. CARNAHAN. Mr. Chairman, the importance of this bill is pointed up in the events of recent weeks. During the past several weeks our foreign policy has come under renewed and vigorous attack by those sworn to bring about

our downfall and defeat. The United States now finds itself the victim of a renewed propaganda assault which certainly parallels if not surpasses anything we have experienced in our lifetime as a nation.

Red China intensifies its pressures throughout Asia and extreme leftwing elements in Japan protest our security arrangements with that nation. Moscow propaganda organs continue to attack us. Communist and Communist-inspired activity has been stepped up in Central America and in South America and throughout the Caribbean. Africa is undergoing drastic changes. There is much to point to a conclusion that unrest and dissatisfaction exists throughout the Red satellite nations. This is all a part of an offensive to disgrace the United States in the eyes of its allies.

While, Mr. Chairman, I am distressed about the administration's failure to face up to the distressed areas within our own Nation I am also concerned that we might neglect opportunities to assist these friends of ours around the world who, generally speaking, live under conditions which are much more depressed. This bill is aimed at providing financing geared to the special needs of the less-developed areas of the free world.

This proposed International Development Association will be an affiliate of the International Bank for Reconstruction and Development. It is proposed as an international cooperative venture to provide development financing on flexible terms to the less-developed countries of the free world. It is designed to complement the development financing that is now available through national and international agencies providing capital to the less-developed areas. It would not provide financing when such financing is available from private sources on reasonable terms. This association will work multilaterally and not bilaterally as does, for example, the U.S. Development Loan Fund. Financing will be provided by the association to its less-developed members for purposes of high developmental priority and, except in special circumstances, for specific projects. The association will not provide funds if financing can be provided from private sources on reasonable terms or through a loan of the type made by the International Bank.

Membership of the United States in this association could contribute significantly toward a solution of some of the urgent problems of underdeveloped areas. In addition, an association of this type could provide an opportunity for other industrial countries to take a more active role in financing the economic development of underdeveloped areas. It is for these reasons, Mr. Chairman, that I believe it would be in the interest of the United States and of the free world in general to proceed with the establishment of this association. I urge approval of this bill.

Mr. BOSCH. Mr. Chairman, I cannot in good conscience support H.R. 11001, providing for the participation of the United States in the International Development Association. It is inconceivable to me that we can ask the American

taxpayer to assume almost one-third of the total cost of this program. As one who has been a firm believer in the fight to maintain the integrity of a sound dollar and to practice a sound fiscal and financial responsibility, I could not, in fairness to my people, support this expenditure for the benefit of foreign countries and then argue for a cutback in domestic spending as essential to the fight for a balanced budget.

Mr. Chairman, we can never hope to reduce the national debt or give relief to the American taxpayer unless we curtail some of our already overextended foreign programs. The object of this legislation can, in my opinion, be amply carried out under the some six foreign loan agencies now in existence.

There are other reasons why I cannot support this legislation and they have particular reference to that part of the legislation dealing with this agency's legal status and its, as well as its officials' and employees', privileges and immunities. They lead, in my opinion, to a laxity for the regard of law enforcement as has been exemplified in certain cases previously experienced in the field of immunity to foreign diplomatic servants here in this country.

Mr. Chairman, let us not be fooled into believing that we can balance the budget, reduce the American taxpayer's burden of taxes, and practice financial and fiscal responsibility, if we continue to pass legislation of this type.

(Mr. JENSEN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. JENSEN. Mr. Chairman, I rise in opposition to this bill to authorize U.S. participation in the International Development Association.

During recent weeks, after extensive discussions on the floor of this House, authority was given, or carried over from prior authorization, to appropriate over a billion dollars of the taxpayers' money to the International Cooperation Administration and related agencies such as the Development Loan Fund to furnish economic assistance and soft loans to various countries all over the world.

After passage of the authorizing act an appropriation bill was passed by this body on June 17, 1960, making available some one and a half billion dollars for these freewheeling agencies to spend all over the world, even in Communist countries. The record of operation of these giveaway agencies, since the inception of the first one under the prior administration, has been an unenviable one of gross mismanagement and waste.

The Congress has in the past appropriated billions of dollars of the U.S. taxpayers' funds to provide for loans and grants to so-called undeveloped nations all over the world. Most of the so-called loans have been or are being made in U.S. dollars, only to be repaid in the soft currency of the countries involved. Even though many of these transactions are called loans, under present law none of the funds advanced or the repayment made to the Development Loan Fund, for instance, will ever be returned to the taxpayers of the United States.

For a list showing the type of projects that are being financed with the U.S. taxpayers' money see page 382 of the House hearings on the mutual security administration appropriation bill for 1961.

Now we are being asked to authorize the United States to join another international giveaway agency for the stated purpose of making even softer loans than are now possible under the existing giveaway programs. How crazy can we get? A careful reading of the bill discloses that the United States is expected to provide \$320 millions in gold or convertible currency which will be more than 40 percent of the scheduled capital subscription of the proposed lending agency in such currency.

In addition, the bill as originally written would have authorized, without limit, the use of soft foreign currency owned by the United States to augment the gold and convertible capital of the new agency. Fortunately this provision was knocked out on a point of order. Besides, it is indicated that additional capital subscription can be required, subject to approval by the Congress. Once started, the past record of congressional action would indicate that such additional bites on the U.S. taxpayers' pocketbook would be forthcoming without difficulty.

We are told that this is to be an international agency scheduled to be financed by various nations of the world, as follows:

Schedule of subscriptions¹ in millions of U.S. dollars
PT. I

Australia.....	20.18
Austria.....	5.04
Belgium.....	22.70
Canada.....	37.83
Denmark.....	8.74
Finland.....	3.83
France.....	52.96
Germany.....	52.96
Italy.....	18.16
Japan.....	33.59
Luxembourg.....	1.01
Netherlands.....	27.74
Norway.....	6.72
Sweden.....	10.09
Union of South Africa.....	10.09
United Kingdom.....	131.14
United States.....	320.29
Total.....	763.07

PT. II

Afghanistan.....	1.01
Argentina.....	18.83
Bolivia.....	1.06
Brazil.....	18.83
Burma.....	2.02
Ceylon.....	3.03
Chile.....	3.53
China.....	30.26
Colombia.....	3.53
Costa Rica.....	.20
Cuba.....	4.71
Dominican Republic.....	.40
Ecuador.....	.65
El Salvador.....	.30
Ethiopia.....	.50
Ghana.....	2.36
Greece.....	2.52
Guatemala.....	.40
Haiti.....	.76
Honduras.....	.30

Footnote at end of table.

Schedule of subscriptions¹ in millions of U.S. dollars—Continued

PT. II

Iceland	0.10
India	40.35
Indonesia	11.10
Iran	4.54
Iraq	.76
Ireland	3.03
Israel	1.68
Jordan	.30
Korea	1.26
Lebanon	.45
Libya	1.01
Malaya	2.52
Mexico	8.74
Morocco	3.53
Nicaragua	.30
Pakistan	10.09
Panama	.02
Paraguay	.30
Peru	1.77
Philippines	5.04
Saudi Arabia	3.70
Spain	10.09
Sudan	1.01
Thailand	3.03
Tunisia	1.51
Turkey	5.80
United Arab Republic	6.03
Uruguay	1.06
Venezuela	7.06
Vietnam	1.51
Yugoslavia	4.04
Total	236.93
Total	1,000.00

¹ In terms of U.S. dollars of the weight and fineness in effect Jan. 1, 1960.

Source: H. Rept. 1766.

An examination of this list, discloses that many of the countries which are expected to contribute to the capital structure are presently recipient of grants and loans of hundreds of millions of dollars of U.S. taxpayers' funds now being dispersed by existing giveaway agencies. If all the actual facts were developed, I believe it would show that, for all practical purposes, the U.S. taxpayer will be picking up the bill in hard U.S. dollars for anywhere from 50 to 75 percent of the initial proposed \$1 billion capital of this new agency.

We are now finding out that large portions of our prior giveaways or loans have been used to develop foreign industrial plants that are now flooding the American market to the detriment of our business and wage earners. Numerous U.S. businesses are facing bankruptcy due to this competition from foreign imports made possible through the billions of U.S. taxpayers' dollars that have been given to these foreign countries.

It seems to me it is time we quit asking the taxpayers and wage earners of this country to provide the funds to create industrial development in foreign countries that take jobs and business away from our own wage earners, businessmen, factories, and farmers as well in the final analysis. This is particularly so, when there appears to be no effort on the part of the shallow thinking advocates of these giveaway programs to ever provide for eventual return of the money to the U.S. Treasury.

The CHAIRMAN. Under the rule the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. SISK, Chairman of the Committee of

the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 11001) to provide for the participation of the United States in the International Development Association, pursuant to House Resolution 571, he reported the bill back to the House.

The SPEAKER. Under the rule the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

Mr. GROSS. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. GROSS. I am, unequivocally, Mr. Speaker.

The SPEAKER. The gentleman qualifies. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. GROSS moves to recommit the bill H.R. 11001 to the House Committee on Banking and Currency.

The SPEAKER. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

The question was taken and the Speaker announced that the yeas appeared to have it.

Mr. GROSS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and I make a point of order that a quorum is not present.

The SPEAKER. Under the unanimous-consent agreement previously entered into, the vote will go over until tomorrow.

AMENDMENTS TO FEDERAL DEPOSIT INSURANCE ACT

Mr. SPENCE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12465) to provide for a simpler method of determining assessments under the Federal Deposit Insurance Act, and for other purposes.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 12465, with Mr. THOMPSON of Texas in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. SPENCE. Mr. Chairman, I yield myself 5 minutes.

This bill amends the Federal Deposit Insurance Act to simplify the procedures governing the assessments banks pay for deposit insurance. The principal change the bill makes in simplifying these procedures is to eliminate the special records and special reports now required for assessment purposes, and base assessments on information supplied by the banks in the regular reports of condition they now make to their Federal supervisory authorities. The second principal change is to substitute a flat

percentage deduction—16½ percent of demand deposits and 1 percent of time deposits—for certain deductions from deposits which are now allowed in computing the assessment base. Because these changes, taken alone, would result in substantial increases in the assessments paid by a number of banks, the bill also provides for an increase in the refund FDIC makes to banks out of net assessment income.

By simplifying procedures the bill will cut expenses for the Federal Deposit Insurance Corporation and for the banks. Under the present system the banks keep one set of records and make one set of reports to their supervisory authorities for purposes of general supervision, and keep another set of records and make another set of reports for FDIC assessment purposes. In general, the assessment a bank must pay depends on the deposits it has; but under the law today deposits are figured one way in reporting deposit liabilities to the bank's supervisory authority and they are figured another way in reporting to FDIC how much the bank owes for deposit insurance. This not only is expensive and time consuming for the bank; it also requires special examinations by FDIC to verify the figures submitted for assessment purposes. The bill defines "deposits" the same way for both purposes, and takes other steps to make the procedures for assessments conform with the procedures for reports of condition to the supervisory authorities. This not only saves money, but it provides a much better control over assessments. The reports of condition are verified by examiners employed by the supervisory authorities; this is done at least once a year for every bank. The special assessment reports today require special FDIC field audits, at a cost of over \$500,000 a year, which cover only about 1,000 banks—out of over 13,000 insured banks—in a 3-year period. So the bill will provide a much better check on assessment liabilities as reported by the banks, at a considerable saving of money.

The standard percentage deduction I mentioned replaces certain other deductions from deposits now allowed in figuring assessments. The principal deduction now allowed which would be replaced by the percentage deduction is for "float," meaning cash items—mostly checks—the bank has received and is in the process of collecting. The law today gives a bank a choice between figuring the actual amount of float it has, or reporting a figure based on the assumption that it takes 2 days on the average to collect such items. Over 90 percent of the banks take the latter choice; it is obviously advantageous for banks which can collect these items in less than 2 days on the average. This means, generally, large banks in our larger cities. The standard, percentage deduction will be most helpful to smaller, country banks.

Because many banks will have to pay larger gross assessments as a result of these changes, the bill increases the rebate FDIC makes to banks out of its net assessment income. Today, after all FDIC's expenses are paid, and all losses provided for, FDIC splits what is left

over out of its income for the year, and puts 40 percent into its capital account—insurance fund—and pays the remaining 60 percent back to the banks. The bill raises this 60-percent figure to 66⅔ percent. It should be understood that this refund is made only after all expenses are provided for, and only after all losses are paid—not only losses incurred in the current year, but any losses incurred in preceding years which resulted in a reduction of the insurance fund.

I feel we should encourage efforts to cut redtape and increase the efficiency of Government programs. This proposal was carefully worked out by the Federal Deposit Insurance Corporation, following a suggestion by the General Accounting Office. Federal deposit insurance has made an outstanding contribution to the stability of our economy, and I hope the House will approve this bill to increase the program's efficiency.

Mr. KILBURN. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, this is a good bill. It was very carefully considered by the committee. I would like to tell the House that the Chairman of the FDIC is our former colleague, Jesse Wolcott. He went through this bill very carefully and as you people who know him know, there was not a more intelligent, a more able legislator in Congress. He is very strongly in favor of this bill and I think you should value his opinion on it because some provisions in it are complicated.

Mr. Chairman, I now yield 5 minutes to the gentleman from California [Mr. Hiestand].

Mr. Hiestand. Mr. Chairman, this bill would seek to simplify what has been rather a complicated formula for figuring the assessment charge for bank insurance on deposits. The formula had to be somewhat complicated by reason of the fact that it had to take into consideration not only the bank assets as given on regular reports but also the "float," which varies very greatly in differently sized and differently located banks.

The purpose of the bill, as has been stated by the chairman, is to simplify and make more clear this formula. As the ranking minority member, the gentleman from New York [Mr. Kilburn] said, it has the hearty and earnest support of the present Chairman of the Federal Deposit Insurance Corporation, our former colleague and former chairman, Jesse Wolcott.

In general, the bill would take two steps to do this. It would base the FDIC assessments on items in the reports of condition insured banks make to their supervisory authorities, rather than on special reports filed with FDIC; and second, it would simplify computation of assessments by authorizing a single, uniform deduction by all banks, on account of "float" and other deductions heretofore allowed, of 16⅔ percent of demand deposits and 1 percent of time deposits. Because this change results in an increase in gross assessments for a number of banks, the bill also in order to keep fairness would increase the rebate made

to insured banks from net assessments, from the present 60 percent to the proposed 66⅔ percent.

There it is in a nutshell. You will find it on page 2 of your committee report. It has been a subject of long and exhaustive studies, surveys, and discussions. We had only one witness opposing the bill in the hearing in our subcommittee, and one member of the committee in opposition, so it is the logical thing to do. We changed the wording slightly in committee to take care of any possible objection that we felt could be made. It is a sound bill. As the gentleman from New York has said, it will greatly simplify and make more clear the formula, and will reduce the paperwork and man-hours necessary to be expended in the making of the present computations both on the part of the banks and on the part of the Federal Deposit Insurance Corporation. It is a good bill, Mr. Chairman, and I sincerely hope that it will pass without too great a discussion.

Mr. SPENCE. Mr. Chairman, I yield such time as he may desire to the gentleman from Georgia [Mr. Brown].

(Mr. BROWN of Georgia asked and was given permission to revise and extend his remarks.)

Mr. BROWN of Georgia. Mr. Chairman, the provisions of the bill have been outlined to the committee by the able gentleman from Kentucky [Mr. Spence], chairman of the House Banking and Currency Committee. I would like to add just a few remarks in support of this legislation.

The bill does simplify the procedures used for determining bank assessments for deposit insurance. Testimony of qualified witnesses before my subcommittee, which held hearings on the bill, indicated clearly that the bill will cut expenses for the Federal Deposit Insurance Corporation and the banks under the new assessment procedures.

Now it is true that the bill will increase the refund FDIC makes to insured banks out of its net income. This refund is made only after all expenses are paid and all losses have been made up. The refund will be about \$11 million a year more under the bill than it is today. But it should be pointed out that this amount, large as it is, is quite small compared with the size of the fund, which amounted to over \$2 billion at the end of 1959. This fund is building up at a sizable rate, and will continue to do so under the bill. For example, it is estimated that the fund will reach \$3 billion under the bill by 1966.

FDIC officials have told us that when the fund reaches 1 percent of total deposits, the Corporation will be in a position to take care of any banking crisis short of the disaster that occurred in the 1930's. The fund now amounts to 0.84 percent of total deposits—1.47 percent of insured deposits—and will reach 1 percent of total deposits under the bill by about 1968, as compared with 1965 or 1966 under the present law.

The proposed new assessment procedures, in my judgment, have some real advantages. First, the proposed plan will eliminate one set of complicated

rules, regulations, instructions, and interpretations for banks to follow and for the Corporation to administer. This is, of course, more important to the smaller banks.

Secondly, the new procedures assure the attention to top-ranking bank officers to the preparation of the report on which the assessment would be based.

Thirdly, the assessment base of all insured banks could be substantially verified without additional cost, as bank examiners now review all reports of condition during the course of a regular examination. Thus the need for most field assessment audits by the Corporation's auditors would be eliminated.

Fourthly, the new procedures would result in greater uniformity in the assessment base reported by the banks while eliminating the need for banks to maintain special records for assessment purposes.

The Independent Bankers Association representing many of the smaller banks in the country; the American Bankers Association representing both large and small banks; and the administration represented by the members of the Board of the Federal Deposit Insurance Corporation; all testified in favor of the bill. This is a good bill and should be passed.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. Patman].

Mr. PATMAN. Mr. Chairman, I am the one who opposed the bill on the final vote. One of the reasons I did so is the committee did not investigate and study this matter.

I am opposed to this bill for several reasons.

I am opposed to it, not because it changes the method of computing the assessment on the banks. But I am opposed to it because, quite aside from the change in method, the bill would reduce the banks' assessment and reduce their contribution to the insurance fund.

When the FDIC was organized in 1934, Congress provided a very modest assessment. It was to be one-twelfth of 1 percent of the bank's deposit liability. And it was anticipated at that time that this rate of assessment would gradually build up the insurance fund, in which case the FDIC could stand on its own feet and the various Government props and subsidies could be removed.

The assessment rate has been repeatedly reduced and the fund has not been built up.

When the FDIC started out in 1934, Congress provided it with \$289 million of Federal funds to get started on. That meant that the Corporation had only 83 cents against each \$100 of deposit liabilities. Now, after 26 years, do you know how much they have built up this insurance fund? They now have 84 cents for every \$100 of deposit liabilities. That is a gain of 1 cent in 26 years.

On the previous cut, the assessment rate was reduced to one twenty-fourth of 1 percent. This bill would cut the rate down to about one thirty-second of 1 percent.

In view of the very small amount in the insurance fund, compared to deposit liabilities, during the 80th Congress, when

June 29, 1960

24. DEFENSE DEPARTMENT APPROPRIATION BILL, 1961. Received the conference report on this bill, H. R. 11998 (H. Rept. 2040). pp. 13891-3
25. GENERAL GOVERNMENT MATTERS APPROPRIATION BILL, 1961. Received the conference report on this bill, H. R. 11389 (H. Rept. 2039). pp. 13893-4
26. RYUKYU ISLANDS. Concurred in Senate amendments to H. R. 1157, providing for the economic and social development in the Ryukyu Islands (p. 13896). This bill will now be sent to the President.
27. FOREIGN AFFAIRS. Passed, by a vote of 249 to 158, without amendment, H. R. 11001, to provide for the participation of the U. S. in the International Development Association. pp. 13896-7
28. PERSONNEL. Passed with amendments H. R. 12383, to amend the Federal Employees Compensation Act to make the benefits more realistic in terms of present wage rates. pp. 13921-5
29. VETERANS' BENEFITS. Passed, by a vote of 395 to 1, with amendment, H. R. 7903, to extend for 2 years the veterans' guaranteed and direct loan program. pp. 13925-32
Concurred in the Senate amendment to H. R. 5040, to amend and clarify the reemployment provisions of the Universal Military Training and Service Act (p. 13938). This bill will now be sent to the President.
30. LEGISLATIVE APPROPRIATION BILL, 1961. House conferees were appointed on amendments in disagreement on this bill, H. R. 12232 (pp. 13938-9). Senate conferees have been appointed.
31. RECLAMATION. The Interior and Insular Affairs Committee voted to report (but did not actually report) S. 68, to provide for the continued delivery of water under the Federal reclamation laws to lands held by husband and wife upon the death of either. p. D636
32. TRANSPORTATION. Disagreed to Senate amendments to H. R. 11135, to aid in the development of a unified and integrated system of transportation for the National Capital Region, and conferees were appointed (p. 13940). Senate conferees have been appointed.
33. PROPERTY. The Government Operations Committee reported without amendment H. R. 1319, to amend the Surplus Property Act of 1944 so as to eliminate the requirement that property conveyed for historic-monument purposes under such section must have been acquired by the U. S. on or before Jan. 1, 1900 (H. Rept. 2032). p. 13969
34. LANDS. The Agriculture Committee reported with amendment H. R. 9732, to authorize the Secretary of Agriculture to convey certain property in Calif. to Trinity County (H. Rept. 2035). p. 13969
The Interior and Insular Affairs Committee voted to report (but did not actually report) with amendment H. R. 10102, to clarify the right of States to select certain public lands subject to any outstanding mineral lease or permit. p. D636
35. EDUCATION. The Rules Committee reported a resolution for the consideration of H. R. 10876, to amend the law relating to the support and endowment of colleges of agriculture and mechanic arts to increase the authorized appropriations for resident teaching grants to land-grant institutions. p. 13969

36. FLOOD CONTROL. Conferees agreed to file a conference report on H. R. 7634, authorizing the construction, repair, and preservation of certain public works on rivers and harbors, for navigation and flood control. p. D637
37. POSTAL RATES. Rep. Porter criticized Postmaster General Summerfield for "gross and intentional misrepresentations of the postal rate and deficit picture." pp. 13953-4
38. IMPORTS. Passed as reported H. R. 11573, to provide for the duty-free importation of two electron microscopes for education or research purposes. pp. 13948-9
Passed without amendment H. R. 9240, to authorize the informal entries of merchandise where the aggregate value of the shipment does not exceed \$400. pp. 13947-8
39. LEGISLATIVE PROGRAM. The "Daily Digest" states that the legislative program for today, June 30, will include the following: Private Calendar; conference reports on defense and general Government matters appropriation bills; minimum-wage increase bill, and Sugar Act extension bill. pp. D635-6

ITEMS IN APPENDIX

40. FOREIGN AFFAIRS. Speech in the House by Rep. McDowell during debate on the proposed bill to provide participation of the United States in the International Development Association. pp. A5637-8
41. FOOD FOR PEACE. Extension of remarks of Sen. Wiley inserting an article "reflecting the splendid way in which various programs have served to fulfill not only humanitarian needs but also to make friends for the United States." pp. A5642-3
42. FARM PROGRAM. Sen. Hruska inserted an article, "Farmers Ride Gravy Train -- But Everybody Else Gets the Gravy." pp. A5645-7

BILLS INTRODUCED

43. WHEAT. H. R. 12870, by Rep. Albert, to amend the Agricultural Adjustment Act of 1938, as amended, and the Agricultural Act of 1949, as amended, with respect to market-adjustment and price-support programs for wheat; to Agriculture Committee.

BILLS APPROVED BY THE PRESIDENT

44. APPROPRIATIONS. H. R. 12117, Department of Agriculture and Farm Credit Administration appropriation bill for 1961. Approved June 29, 1960 (Public Law 86-532, 86th Congress).
H. J. Res. 765, to provide supplemental appropriations to the Department of Labor for unemployment compensation for veterans and Federal employees. Approved June 29, 1960. (Public Law 86-535, 86th Congress).
45. REPORTS. S. 899, to provide for the discontinuance of certain reports now required by law (including certain reports relating to foot-and-mouth disease, experiment stations, and extension work of this Department). Approved June 29, 1960 (Public Law 86-533, 86th Congress).

June 29, 1960

8. LEGISLATIVE BRANCH APPROPRIATION BILL, 1961. Reconsidered the action of June 28 (see Digest 120) on this bill, H. R. 12232, and concurred in an amendment of the House, and agreed to a motion by Sen. Stennis to insist on the one remaining Senate amendment in disagreement (pp. 13777, 13790-1, 13821-3). Conferees were appointed on the one amendment remaining in disagreement (p. 13823).
9. STATE-JUSTICE APPROPRIATION BILL, 1961. The Appropriations Committee reported with amendment this bill, H. R. 11666 (S. Rept. 1777). p. 13881
10. PRICES. A subcommittee of the Banking and Currency Committee approved for consideration of the full committee with amendments S. 2382, to amend the Employment Act of 1946 to provide for its more effective administration, and to bring to bear an informed public opinion upon price and wage increases which threaten economic stability. p. D633
11. MINERALS. The Interior and Insular Affairs Committee voted to report (but did not actually report) H. R. 8860, to provide for payments by the Department of the Interior to small lead and zinc producers. p. D633
12. WILDLIFE. The Interstate and Foreign Commerce Committee voted to report (but did not actually report) with amendment H. R. 12533, to amend the Migratory Bird Treaty Act so as to increase penalties for violations under the act. p. D633
13. FISHERIES. The Interstate and Foreign Commerce Committee voted to report (but did not actually report) S. 2586 to provide for the conservation of anadromous fish spawning areas in the Salmon River, Idaho. p. D633
14. CONSERVATION. Sen. Moss inserted an editorial, "Conservation: More Than Locking Out," discussing the importance of natural resource conservation. pp. 13782-3
15. AIR POLLUTION. Sen. Clark urged enactment of S. 3108, to provide greater control of air pollution, before adjournment of Congress. p. 13786
16. SUGAR. Several Senators discussed Cuban-U. S. relations, including the pros and cons of reducing the sugar quota for Cuba. pp. 13815-19
17. FOREIGN AFFAIRS. Passed without amendment H. R. 11001, to provide for U. S. participation in the International Development Association. This bill will now be sent to the President. p. 13843
18. WATERSHEDS. Both Houses received from the Budget Bureau plans for works of improvement on the following watersheds: Franktown-Parker tributaries of Cherry Creek, Colo., upper Josephine-Jackson Creek, Fla., Sandy Creek, Ga., Waianae Iki, Waianae Nui, Hawaii, French Lick Creek, Ind., Bentonina, Miss., upper Gila Valley Arroyos No. 1, N. Mex., East Keechi Creek, Tex., and Beaver Creek, Va.; to S. Agriculture and Forestry and H. Agriculture Committees; and Town Fork Creek, N. C.; to Public Works Committees. p. 13774
The "Daily Digest" states that the Senate Agriculture and Forestry Committee approved the watershed projects listed above referred to that committee. p. D633
19. CONGRESSIONAL RECESS. Sen. Johnson announced that Congress will recess this coming week-end until August 8. pp. 13797-8, 13799-809

HOUSE

20. SUGAR. The Rules Committee reported a resolution for consideration of H. R. 12311, to extend the Sugar Act of 1948 for 1 year. pp. 13921, 13969
- Rep. Cooley summarized the provisions of the above bill, including the committee amendment to the bill, stating the bill includes the following: pp. 13897
- "A 1-year extension of the act to December 31, 1961.
- "Presidential authority to establish -- whether Congress is in session or not -- the sugar quota for Cuba for the balance of 1960 and for 1961 at such level as the President shall find from time to time to be in the national interest, but in no event in excess of the Cuban quota under present law. If the President sets the Cuban quota at less than present law, the reduction would be reapportioned as follows: (a) An amount equivalent to Cuba's share in the domestic deficit may be assigned exclusively to the domestic area; and then (b) to five nations whose quota is presently between 3,000 and 10,000 tons a sufficient quantity of sugar to bring each of them up to 10,000 tons. These nations are Costa Rica, Haiti, Panama, the Netherlands and Nationalist China; and then (c) to the Philippine Islands 15 percent of the remainder; and then (d) to the full duty nations having quotas under the act -- except those five nations mentioned in (b) above -- the remaining 85 percent in amounts prorated according to the quotas established by the act; and then (e) to any other foreign nations without regard to allocations.
- "The President also would have authority to obtain refined sugar if raw sugar was unavailable.
- "A technical amendment recognizing Hawaii's full status as a State.
- "A permanent change in the law which gives the Secretary of Agriculture the authority to reduce for the then current calendar year the quota of a foreign nation or an area, if that nation or area is unwilling or unable to meet its quota. The Secretary could reduce the nation's or area's quota by the amount of the deficit declared against it. This provision would prevent a country or area which had failed to fill its quota from disorganizing the U. S. market by shipping its full quota after a deficit had been declared against it.
- "A provision applicable to the 1961 crop only which awards to new producers 75 percent of any increase in proportionate shares due to reallocated deficits."
21. FARM LABOR. Passed without amendment H. R. 12759, to extend for 2 years the Mexican farm labor program (pp. 13898-921). By a vote of 33 to 122, rejected an amendment by Rep. Fogarty to adopt the language of the McGovern bill with the exception of the section regarding phasing-out of the program (pp. 13902-18) and rejected an amendment by Rep. Shelley to extend the program for 1 year instead of 2 (pp. 13919-21); rejected a motion by Rep. Becker to recommit the bill to the Agriculture Committee (p. 13921).
22. HAWAII. Concurred in Senate amendments to H. R. 11602, to amend certain laws of the U. S. in light of the admission of the State of Hawaii into the Union (p. 13939). This bill will now be sent to the President.
23. FARM PROGRAM. Rep. Cannon urged Congress to enact legislation which would raise the income of the farmer. pp. 13895-6
- Rep. Thompson, La., discussed the work he has done in the last 8 years in Congress which includes a statement of his position on agriculture. pp. 13954-65

the international alliance which is the pillar of my country's security.

When a country feels reasonably confident of its own security, it can devote more attention to economic development. As you are all aware, my country is classified as underdeveloped. The average income of a Thai is only about \$100 a year. You will understand what great urgent need there is to increase the income and raise the living standard of my people.

One of the handicaps of countries in our region is the lack of capital and technical know-how. It is at this point that the United States has so generously come to our assistance. And here I should like to refer to the economic and technical cooperation agreement between our respective Governments. Its preamble states that liberty and independence depend largely upon sound economic conditions. It then goes on to say:

The Congress of the United States of America has enacted legislation enabling the United States of America to furnish assistance in order that the Government of Thailand, through its own individual efforts, may achieve such objectives.

In that preamble, there is one concept that needs to be emphasized. American assistance is to enable the Thai to achieve their objectives through their own efforts. I need hardly say that this concept has our complete endorsement. Indeed, there is a precept of the Lord Buddha which says: "Thou are thine own refuge." We are grateful for American aid; but we intend one day to do without it. [Applause.]

This leads me to a question in which some of you may be interested. The question is: What do we Thai think of U.S. cooperation? I shall try to explain my view as briefly as I can.

In my country there is one widely accepted concept. It is that of family obligations. The members of a family, in the large sense, are expected to help one another whenever there is need for assistance. The giving of aid is a merit in itself. The giver does not expect to hear others sing his praises every day; nor does he expect any return. The receiver is nevertheless grateful. He too, in his turn, will carry out his obligations.

In giving generous assistance to foreign countries, the United States are, in my Thai eyes, applying the old concept of family obligations upon the largest scale. The nations of the world are being taught that they are but members of one big family; that they have obligations to one another; and that they are closely interdependent. It may take a long time to learn this lesson. But when it has been truly learned, the prospects of world peace will become bright. [Applause.]

Some of you may recall that my great-grandfather, King Mongkut, was in communication with President Buchanan during the years 1859 to 1861—100 years ago. President Buchanan sent him a letter dated May 10, 1859, with a consignment of books in 192 volumes. The king was very pleased with the books and in a letter dated the 14th of February 1861, he sent certain presents in re-

turn as gifts to the American people and an offer that became historic.

At that period, there was much demand for elephants in our and neighboring countries. Elephants had been sent to Ceylon, Sumatra, and Java and turned loose in the jungles for breeding purposes, and the result is that elephants are plentiful in those countries.

In the past, elephants had great potentialities. From the economic point of view, they could be used in the timber industry for hauling big logs and other heavy materials, like tractors do in present days. As they could go through thick jungles, they were also used as beasts of burden for transport purposes. And in view of their enormous size and strength, in time of war they struck awe into the enemies. Since elephants could be put to such various good uses and since they were available in large number in our country, as a friendly gesture to a friendly people, my great-grandfather offered to send the President and Congress elephants to be turned loose in the uncultivated land of America for breeding purposes. [Applause.]

That offer was made with no other objective than to provide a friend with what he lacked, in the same spirit in which the American aid program is likewise offered. And understanding and appreciating the sentiment underlying your aid program, the Thai Government welcomes the program and is grateful for it. [Applause.]

Our two countries have had the best of relations. They started with the coming of your missionaries who shared with our people the benefits of modern medicine and the knowledge of modern science. This soon led to official relations and to a treaty between the two nations. That treaty dates as far back as 1833.

It can be said that from the beginning of our relationship right up to the present time no conflict of any kind has arisen to disturb our cordial friendship and understanding. [Applause.] On the contrary there has been mutual good will and close cooperation between our two countries. In view of the present world tension and the feeling of uncertainty apparent everywhere, it is my sincere feeling that the time is ripe for an even closer cooperation. It will demonstrate to the world that we are one in purpose and conviction, and it can only lead to one thing—mutual benefit.

I thank you for your kind indulgence. [Applause, the Members rising.]

At 12 o'clock and 53 minutes p.m. His Majesty King Bhumibol Adulyadej of Thailand, accompanied by the committee of escort, retired from the Chamber.

The Doorkeeper escorted the invited guests from the Chamber in the following order:

The members of the President's Cabinet.

The Ambassadors, Ministers, and Chargés d'Affaires of foreign governments.

JOINT MEETING DISSOLVED

The SPEAKER. The Chair declares the joint meeting of the two Houses now dissolved.

Thereupon (at 12 o'clock and 55 minutes p.m.) the joint meeting of the two Houses was dissolved.

The Members of the Senate retired to their Chamber.

AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 1 o'clock and 45 minutes p.m.

AUTHORIZATION TO PRINT PROCEEDINGS HAD DURING RECESS

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the proceedings had during the recess be printed in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

AID FOR AGRICULTURE IMPERATIVE

Mr. CANNON. Mr. Speaker, this Congress cannot adjourn until it has done something to preserve American agriculture.

Every man who works in America today, no matter what his job, whether he works in the countinghouse or digs a ditch, is receiving not less than three times the income he received at the close of the war. And yet every farmer who works today—working longer than anybody else—and under more unfavorable conditions, he and his wife and his children, working from dawn until dusk, is receiving less than one-third of what he got at the close of the war.

An hour's labor today under any schedule, will buy more and better food than it ever bought before in the history of the world.

Mr. Speaker, how can you account for this remarkable situation? Why is everybody in America receiving larger and larger incomes these years of the Nation's greatest prosperity—while the farmer is receiving less and less.

The answer is written on the statute books of the United States Congress. Transportation is charging higher rates by virtue of laws passed by Congress and signed by the President. Labor is able to fix its wages by reason of laws passed by Congress and signed by the President. Finance is able to establish rates because of laws passed by Congress. Every class and profession, without exception, is able to control and increase its income through the operation of artificial supports provided in special interest legislation.

The farmer is the only exception. He alone has no voice in adjusting the price of what he buys and what he sells.

Why has this House in this session of Congress—and in every session of Congress—regularly passed bills and enacted laws to increase the income of millions who are already paid far above their war incomes while it has refused to do anything for the farmers who are receiving less than a third of what they got during the war?

Mr. Speaker why is the farmer being thrown to the wolves? Every man here who ate breakfast this morning sponged on the farmer—paid half for his breakfast and charged the other half to the farmer.

The farmer is subsidizing the breakfast table of every family in America.

The consumers of the Nation are robbing the farmer of billions of dollars which he and his wife and his children have earned by backbreaking and heart-breaking work and disappointment—and then turn around and charge him \$3,500 for a tractor which he bought for \$1,500 when he was getting three times what he is getting for hogs and chickens today.

Mr. Speaker, the laborer is worthy of his hire. Let the Members of the House take down their Bibles—and dust them off—and observe the 8th Commandment by enacting legislation that will do for the farmer what they have already done for every other segment of our national economy.

Mr. Speaker, Congress cannot adjourn until it has passed a farm bill.

CALENDAR WEDNESDAY

The SPEAKER. This is the day for the calling of the calendar of committees. The Clerk will call the first eligible committee.

The Clerk called the Committee on Education and Labor.

Mr. BARDEN. The Committee on Education and Labor passes.

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that further proceedings under Calendar Wednesday be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

ECONOMIC AND SOCIAL DEVELOPMENT OF THE RYUKYU ISLANDS

Mr. PRICE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 1157) to provide for promotion of economic and social development in the Ryukyu Islands, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, strike out all after line 17 over to and including line 3 on page 4 and insert: "SEC. 4. There is hereby authorized to be appropriated not to exceed \$6,000,000 in any fiscal year for obligation and expenditure in accordance with programs approved by the President, for: (a) promoting the economic development of the Ryukyu Islands and improving the welfare of the inhabitants thereof; (b) reimbursing the Government of the Ryukyu Islands for services performed for the benefit of and by reason of the presence of the Armed Forces of the United States within the Ryukyu Islands, including but not limited to reimbursement for such services in the fields of public health and safety, in annual amounts which may be paid in advance to the Government of the Ryukyu Islands; and (c) emergency purposes related to typhoons or other disasters in the Ryukyu

Islands. Preference shall be given to programs in which the Government of the Ryukyu Islands participates by sharing part of the costs or contributing other resources."

Page 4, line 4, strike out "6" and insert "5".

Page 4, line 10, strike out "7" and insert "6".

Page 4, line 13, strike out "8" and insert "7".

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The amendments were concurred in.

A motion to reconsider was laid on the table.

CORRECTION OF ROLL CALL

Mr. FLYNT. Mr. Speaker, on roll call No. 161 of yesterday I am recorded as having failed to answer to my name. I was present and answered, and I ask unanimous consent that the permanent RECORD be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

CORRECTION OF RECORD

Mr. SISK. Mr. Speaker, I ask unanimous consent that the permanent RECORD be corrected in reference to my statement on yesterday on the Mexican labor program, page 13745, fifth paragraph, by changing the word "about" to "above."

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

INTERNATIONAL DEVELOPMENT ASSOCIATION

The SPEAKER. The unfinished business is the vote on the motion to recommit the bill (H.R. 11001) to provide for the participation of the United States in the International Development Association.

The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. GROSS moves to recommit the bill, H.R. 11001, to the House Committee on Banking and Currency.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

The question was taken, and the Speaker announced that the ayes had it.

Mr. GROSS. Mr. Speaker, I object to the vote on the ground that a quorum is not present, and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—years 249, nays 158, not voting 24, as follows:

[Roll No. 162]

YEAS—249

Addonizio	Gary	Morrison
Albert	Gathings	Moss
Andersen,	Gialmo	Multer
Minn.	Gilbert	Murphy
Arends	Glenn	Natcher
Ashley	Goodell	Nelsen
Aspinall	Granahan	Nix
Auchincloss	Green, Oreg.	O'Brien, Ill.
Avery	Green, Pa.	O'Brien, N.Y.
Ayres	Griffin	O'Hara, Ill.
Baker	Griffiths	O'Hara, Mich.
Baldwin	Gubser	O'Neill
Barr	Hagen	Osmers
Barrett	Halleck	Ostertag
Barry	Halpern	Pelly
Bass, N.H.	Hargis	Pfost
Bates	Harrison	Pirnie
Baumhart	Healey	Porter
Becker	Hébert	Powell
Beckworth	Hechler	Price
Belcher	Herlong	Prokop
Bennett, Fla.	Hess	Pucinski
Bentley	Hiestand	Quile
Blatnik	Holland	Quigley
Boggs	Holtzman	Rabaut
Boland	Horan	Rains
Bolling	Hosmer	Randall
Bolton	Ikard	Ray
Bowles	Inouye	Reece, Tenn.
Brademas	Irwin	Reuss
Breeding	Jarman	Rhodes, Pa.
Brewster	Johnson, Colo.	Riehlman
Broomfield	Johnson, Md.	Rivers, Alaska
Brown, Ga.	Johnson, Wis.	Rodino
Burke, Ky.	Judd	Rogers, Mass.
Burke, Mass.	Karsten	Rooney
Byrne, Pa.	Karth	Roosevelt
Byrnes, Wis.	Kasem	Rostenkowski
Cahill	Kastenmeier	Roush
Canfield	Kearns	Rutherford
Cederberg	Keith	St. George
Celler	Kelly	Santangelo
Chamberlain	Kilburn	Saund
Chenoweth	Kilday	Saylor
Chipchfield	Kilgore	Schneebell
Church	King, Calif.	Schwengel
Clark	Kiuczynski	Shelley
Coffin	Kowalski	Sheppard
Cohelan	Lane	Sikes
Collier	Langen	Sisk
Conte	Lankford	Smith, Iowa
Cook	Lesinski	Smith, Miss.
Corbett	Libonati	Smith, Va.
Cramer	Lindsay	Spence
Curtis, Mass.	McCormack	Springer
Curtis, Mo.	McDonough	Steed
Daddario	McDowell	Stubblefield
Daniels	McFall	Sullivan
Davis, Tenn.	McGovern	Taylor
Delaney	Macdonald	Teague, Calif.
Diggs	Machrowicz	Teller
Dingell	Mack	Thomas
Dixon	Madden	Thompson, N.J.
Dooley	Magnuson	Thompson, Tex.
Dorn, N.Y.	Mahon	Thornberry
Doyle	Mailliard	Toll
Dwyer	Marshall	Trimble
Evins	Martin	Udall
Fallon	Matthews	Ullman
Farbstein	May	Vanik
Fascell	Meader	Van Pelt
Feighan	Morrow	Wainwright
Fino	Metcalf	Wallhauser
Flood	Meyer	Walter
Fogarty	Miller, Clem	Weis
Foley	Miller,	Widnall
Forand	George, P.	Wier
Ford	Miller, N.Y.	Wilson
Fountain	Milliken	Wright
Frelinghuysen	Mills	Yates
Friedel	Mitchell	Young
Fulton	Monagan	Zablocki
Gallagher	Moorhead	Zelenko
Garmatz	Morgan	

NAYS—158

Abbitt	Blitch	Casey
Abernethy	Bonner	Chelf
Adair	Bosch	Coad
Alexander	Bow	Colmer
Alger	Boykin	Cooley
Allen	Bray	Cunningham
Andrews	Brock	Curtin
Ashmore	Brooks, La.	Dague
Bailey	Brooks, Tex.	Dent
Barden	Brown, Mo.	Denton
Baring	Brown, Ohio	Derounian
Bass, Tenn.	Broyhill	Derwinski
Bennett, Mich.	Budge	Devine
Berry	Burleson	Donohue
Betts	Cannon	Dorn, S.C.

Dowdy	Kee	Rhodes, Ariz.
Downing	King, Utah	Riley
Dulski	Kirwan	Rivers, S. C.
Durham	Kitchin	Roberts
Elliott	Knox	Robison
Everett	Kyl	Rogers, Colo.
Fenton	Lafore	Rogers, Fla.
Fisher	Laird	Rogers, Tex.
Flynn	Landrum	Schenck
Flynt	Latta	Scherer
Forrester	Lennon	Scott
Gavin	Levering	Selden
George	Lipscomb	Shipley
Grant	Loser	Short
Gray	McCulloch	Siler
Gross	McIntire	Simpson
Haley	McMillan	Slack
Hardy	Michel	Smith, Calif.
Harmon	Minshall	Smith, Kans.
Harris	Moeller	Stratton
Hays	Montoya	Taber
Hemphill	Moore	Teague, Tex.
Henderson	Morris, N. Mex.	Thomson, Wyo.
Hoeven	Moulder	Tollefson
Hoffman, Ill.	Murray	Tuck
Hoffman, Mich.	Norblad	Utt
Hogan	O'Konski	Van Zandt
Holifield	Olliver	Wampler
Holt	Passman	Watts
Huddleston	Patman	Weaver
Hull	Perkins	Westland
Jennings	Philbin	Wharton
Jensen	Pilcher	Whitener
Johansen	Pillion	Whitten
Johnson, Calif.	Poage	Williams
Jonas	Poff	Winstead
Jones, Ala.	Preston	Wolf
Jones, Mo.	Rees, Kans.	

NOT VOTING—24

Alford	Edmondson	Norrell
Anderson,	Frazier	Staggers
Mont.	Jackson	Thompson, La.
Anfuso	Keogh	Vinson
Buckley	McGinley	Willis
Burdick	McSweeney	Withrow
Carnahan	Mason	Younger
Davis, Ga.	Morris, Okla.	
Dawson	Mumma	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Younger for, with Mr. Mason against.
Mr. Thompson of Louisiana for, with Mr. Mumma against.

Until further notice:

Mr. Keogh with Mr. Jackson.
Mr. Buckley with Mr. Withrow.

Mr. SHIPLEY changed his vote from "yea" to "nay."

Mr. PIRNIE changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The doors were opened.

Mr. SPENCE. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (S. 3074) to provide for the participation of the United States in the International Development Association, to strike out all after the enacting clause, and insert the provisions of the bill (H.R. 11001) to provide for the participation of the United States in the International Development Association, just passed.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

Mr. GROSS. Mr. Speaker, I object.

SUGAR LEGISLATION

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to proceed for 1

minute, to revise and extend my remarks, and to include the amendment to the sugar bill which will come before the House for consideration at an early date. This is a very brief explanation.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. COOLEY. Mr. Speaker, the Rules Committee today cleared for House consideration H.R. 12311, the bill to extend the Sugar Act in modified form. The rule provides for 1 hour of general debate and permits the offering of only one amendment, to be submitted by the Committee on Agriculture.

So that the Members of the House may be thoroughly aware of the provisions of the bill including the proposed committee amendment, I submit here for the RECORD a brief summary, along with a copy of the bill amended, as follows:

First. A 1-year extension of the act to December 31, 1961.

Second. Presidential authority to establish—whether Congress is in session or not—the sugar quota for Cuba for the balance of 1960 and for 1961 at such level as the President shall find from time to time to be in the national interest, but in no event in excess of the Cuban quota under present law. If the President sets the Cuban quota at less than present law, the reduction would be reapportioned as follows: (a) An amount equivalent to Cuba's share in the domestic deficit may be assigned exclusively to the domestic area; and then (b) to five nations whose quota is presently between 3,000 and 10,000 tons a sufficient quantity of sugar to bring each of them up to 10,000 tons. These nations are Costa Rica, Haiti, Panama, the Netherlands, and Nationalist China; and then (c) to the Philippine Islands 15 percent of the remainder; and then (d) to the full duty nations having quotas under the act—except those five nations mentioned in (b) above—the remaining 85 percent in amounts prorated according to the quotas established by the act; and then (e) to any other foreign nations without regard to allocations.

The President also would have authority to obtain refined sugar if raw sugar was unavailable.

Third. A technical amendment recognizing Hawaii's full status as a State.

Fourth. A permanent change in the law which gives the Secretary of Agriculture the authority to reduce for the then current calendar year the quota of a foreign nation or an area, if that nation or area is unwilling or unable to meet its quota. The Secretary could reduce the nation's or area's quota by the amount of the deficit declared against it. This provision would prevent a country or area which had failed to fill its quota from disorganizing the U.S. market by shipping its full quota after a deficit had been declared against it.

Fifth. A provision applicable to the 1961 crop only which awards to new producers 75 percent of any increase in proportionate shares due to reallocated deficits.

H.R. 12311

A bill to extend for one year the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled That section 412 of the Sugar Act of 1948 (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1960" in each place it appears therein and inserting in lieu thereof "1961".

SEC. 2. Sections 4501(c) and 6412(d) (relating to the termination and refund of taxes on sugar) of the Internal Revenue Code of 1954 are amended by striking out "1961" in each place it appears therein and inserting in lieu thereof "1962".

SEC. 3. Section 204(c) of the Sugar Act of 1948, as amended (relating to proration of deficits), is amended by striking out "shall not be reduced" and inserting "may be reduced".

SEC. 4. Section 302(b) of the Sugar Act of 1948, as amended (relating to the establishment of proportionate shares for farms), is amended by striking out the period at the end of the first sentence and inserting a colon and the following: *Provided*, That 75 per centum of any increase in proportionate shares in any area where restrictions are in effect for the 1961 crop year over the total of restricted proportionate shares established for such area in the preceding year, less any shares arising from the 1960 growth factor, shall be reserved for new producers.

SEC. 5. Section 408 of the Sugar Act of 1948, as amended (relating to suspension of quotas), is amended to designate such section as subsection "(a)"; and to add a new subsection "(b)" as follows:

"(b) Notwithstanding the provisions of title II of this Act, for the period ending December 31, 1961:

"(1) The President shall determine, notwithstanding any other provisions of title II, the quota for Cuba for the balance of calendar year 1960 and for calendar year 1961 in such amount or amounts as he shall find from time to time to be in the national interest: *Provided, however*, That in no event shall such quota at any time exceed such amount as would be provided for Cuba under the terms of title II in the absence of the amendments made herein, and such determinations shall become effective immediately upon publication in the Federal Register of the President's proclamation thereof;

"(2) For the purposes of meeting the requirements of consumers in the United States, the President is thereafter authorized to cause or permit to be brought or imported into or marketed in the United States, at such times and from such sources, including any country whose quota has been so reduced, and subject to such terms and conditions as he deems appropriate under the prevailing circumstances, a quantity of sugar, not in excess of the sum of any reductions in quotas made pursuant to this subsection: *Provided, however*, That any part of such quantity equivalent to the proration of domestic deficits to the country whose quota has been reduced may be allocated to domestic areas and the remainder of such quantity (plus any part of such allocation that domestic areas are unable to fill) shall be apportioned in raw sugar as follows:

"(i) There shall first be allocated to other foreign countries for which quotas or prorations thereof of not less than three thousand or more than ten thousand short tons, raw value, are provided in section 202(c), such quantities of raw sugar as are required to permit importation in such calendar year of a total of ten thousand short tons, raw value, from such country;

"(ii) There shall next be apportioned to the Republic of the Philippines 15 per

centum of the remainder of such importation;

"(iii) The balance, including any unfilled balances from allocations already provided, shall be allocated to or purchased from foreign countries having quotas under section 202(c), other than those provided for in the preceding subparagraph (i), in amounts prorated according to the quotas established under section 202(c): *Provided*, That if additional amounts of sugar are required the President may authorize the purchase of such amounts from any foreign countries, without regard to allocation;

"(3) If the President finds that raw sugar is not reasonably available, he may, as provided in (2) above, cause or permit to be imported such quantity of sugar in the form of direct-consumption sugar as may be required."

SEC. 6. Sections 101(j), 203, 205(a), 209(a), 209(c), and 307 of the Sugar Act of 1948, as amended, are each amended by striking out the words "The Territory of" in each place where they appear therein.

MEXICAN FARM LABOR PROBLEM

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 12759) to amend title V of the Agricultural Act of 1949, as amended, and for other purposes.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 12759, with Mr. EVINS in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday the gentleman from North Carolina [Mr. COOLEY] had 14 minutes remaining; the gentleman from Iowa [Mr. HOEVEN] had 9 minutes remaining.

The Chair recognizes the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Chairman, I yield 3 minutes to the gentleman from California [Mr. McFALL].

Mr. McFALL. Mr. Chairman, I am in support of an extension of Public Law 78, the Mexican national program, and the Fogarty amendment which should further improve the administration of the program to prevent its use to depress wages or working conditions or to replace domestic farmworkers.

The Public Law 78 program is essential to California as a supplement to the domestic farm labor force in the peak seasons when crops ripen at the same time in many areas and there simply are not enough domestic workers to do the job. This is the situation in San Joaquin and Stanislaus Counties in California, the district which I represent.

It is important that we take affirmative action now, since the Public Law 78 program, which technically runs until June 30, 1961, would be virtually dead for next year if not extended now, for two reasons: First, the farmers must know at the time of planting whether or not there is a reasonable assurance of the labor required to harvest the crops; second, the Department of Labor must know now if the program is to be continued in order to make the necessary

budgetary requests for funds to enforce the program.

Originally, the House Agriculture Committee considered legislation that would do three things:

First. Extend the Public Law 78 program for 2 years, to June 30, 1963.

Second. Divide jurisdiction between the Secretary of Agriculture and the Secretary of Labor.

Third. Deny the Secretary of Labor authority to prescribe regulations to protect the domestic worker.

The committee first acted on a measure that would include points 1 and 3, eliminating point 2—the joint jurisdiction that would seriously cripple and perhaps even make impossible regulation of the program.

Later the committee reported a new bill, calling for a simple 2-year extension of the program, and eliminating the original section that would hamstring the Secretary of Labor.

This is the bill we are considering today which I support with the amendments recommended unanimously by a special consultant committee to insure that the program will not be operated to the detriment of the domestic worker.

It is my information that these recommendations are substantially in accord with the thinking of those who administer the program in the Department of Labor, but no clearance has yet been received from the administration and no formal recommendation will be made to Congress until next year.

However, if we are to extend the program at this time, these safeguards should also be incorporated now to insure that the Mexican nationals are used only as unskilled labor, on a seasonal basis and not in competition in any way with our American worker.

Secretary of Labor Mitchell wrote on June 24, 1960:

There is ample evidence before the Department including the conclusions and recommendations of independent consultants who have studied the problem that the Mexican program legislation needs substantial improvement in order to avoid adverse effects upon our own farmworkers. My view remains that the existing law should not be extended until such time as improvements can be incorporated in it.

The citizens who studied the program and recommended the amendments to Secretary of Labor Mitchell are Edward J. Thye, former U.S. Senator from Minnesota; the Very Reverend Monsignor George C. Higgins, director of the social action department, National Catholic Welfare Conference; Glenn E. Garrett, chairman of the Texas Council on Migrant Labor; and Rufus B. von Klein-smid, chancellor of the University of Southern California.

Their recommendations, which are to be offered today as an amendment by Congressman FOGARTY, would have the following effect, in brief:

No worker shall be supplied under the program unless the Secretary of Labor certifies:

A. Sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which foreign workers are to be employed.

B. The employment of such foreign workers will not adversely affect the wages and working conditions of domestic agriculture workers similarly employed.

C. Reasonable efforts have been made to attract domestic workers for such employment, including independent and direct recruitment by the employer requesting foreign workers, at terms and conditions of employment comparable to those offered to foreign workers.

D. No foreign labor is to be imported except for seasonal and unskilled jobs.

Although there may be disagreement over method and specific language in the law, I feel certain that our growers in California have no quarrel with the objectives of these amendments, that is, to protect the domestic worker.

I have been told time and time again that the Public Law 78 program is desired only as a supplemental labor force, and that, in fact, the farmers much prefer to hire domestic workers if they are qualified and available in sufficient number when and where they are needed. I know this to be true.

My growers know also that their labor must be paid a fair wage equal to that of workers in other segments of our economy; certainly the consumer has the ability to pay a price sufficient to yield a fair profit to the farmer and a fair wage to the agriculture worker. In my opinion, the Fogarty amendments will strengthen Public Law 78 by spelling out in greater detail the provisions and intent of the present law, thus providing the opportunity to build a larger domestic work force and to retain the necessary supplemental labor supply under fair and equitable conditions.

Should the Fogarty amendment be defeated, I would support the bill to extend the program as essential to a supplemental agricultural labor supply.

(Mr. McFALL asked and was given permission to revise and extend his remarks.)

Mr. HOEVEN. Mr. Chairman, I yield 1 minute to the gentleman from Arizona [Mr. RHODES].

Mr. RHODES of Arizona. Mr. Chairman, I am in favor of this bill, and I hope it passes.

With a 17-percent increase in population in the United States during the past decade, producers of the Nation's fresh fruit and vegetable supply have barely been able to maintain a comparable rate of increase in their production of these commodities. In other words, on a countrywide basis, the rate of population increase is outrunning the growth in production of the most healthful sector of our food supply, and this trend promises to continue.

However, in California and Arizona, the situation is different; during the past 10 years, production of vegetables and melons has not only been increased 26 percent, but the proportion of the national fresh food supply contributed by these two States was increased 25 percent. In 1959, California and Arizona produced 37.5 percent of the U.S. vegetable and melon tonnage, representing 41.5 percent of the value of crops in this category. This record was ac-

H.R. 8253. An act for the relief of Pierre R. DeBroux;

H.R. 8740. An act to provide for the leasing of oil and gas interests in certain lands owned by the United States in the State of Texas;

H.R. 9142. An act to provide for payment for lands heretofore conveyed to the United States as a basis for lieu selections from the public domain, and for other purposes;

H.R. 9201. An act to validate certain mining claims in California;

H.R. 9541. An act to amend section 109(g) of the Federal Property and Administrative Services Act of 1949;

H.R. 9711. An act for the relief of Robert L. Stoermer;

H.R. 9751. An act for the relief of Mrs. Icile Helen Hinman;

H.R. 10021. An act providing a uniform law for the transfer of securities to and by fiduciaries in the District of Columbia;

H.R. 10068. An act to amend section 303 of the Career Compensation Act of 1949, to authorize travel and transportation allowances, add transportation of dependents and of baggage and household effects to the homes of their selection for certain members of the uniformed services, and for other purposes;

H.R. 11522. An act to amend the act of August 26, 1935, to permit certain real property of the United States to be conveyed to States, municipalities, and other political subdivisions for highway purposes;

H.R. 11787. An act to authorize a continuation of flight instruction for members of the Reserve Officers' Training Corps until August 1, 1964;

H.R. 12052. An act to extend the Defense Production Act of 1950, as amended, for an additional 2 years;

H.R. 12265. An act to amend title 10, United States Code, to authorize certain persons to administer oaths and to perform notarial acts for persons serving with, employed by, or accompanying the Armed Forces outside the United States;

H.R. 12346. An act to amend section 14(b) of the Federal Reserve Act, as amended, to extend for 2 years the authority of Federal Reserve banks to purchase U.S. obligations directly from the Treasury;

H.R. 12570. An act to amend section 303(c) of the Career Compensation Act of 1949 by imposing certain limitations on the transportation of household effects; and

H.J. Res. 627. Joint resolution to authorize appropriations incident to U.S. participation in the International Bureau for the Protection of Industrial Property.

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

Mr. FULBRIGHT. Mr. President, I ask unanimous consent to call up and give immediate consideration to H.R. 11001, a bill to provide for the participation of the United States in the International Development Association.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 11001) to provide for the participation of the United States in the International Development Association.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Arkansas?

There being no objection, the Senate proceeded to consider the bill, which was read the second time.

Mr. FULBRIGHT. Mr. President, for parliamentary reasons, the House adopted H.R. 11001, with an amendment, instead of S. 3074, which was passed with

an amendment on June 2. With the exception of the respective amendments, the bills approved by the House and the Senate are identical.

The amendment to S. 3074 inserted the words, "except gifts" at several places in the clause in section 5(c) that begins with the words "except that loans." This meant that, without further authorization, U.S.-held excess local currencies could be loaned, but not donated, to the Association by a U.S. agency authorized by law to make loans to international organizations. The amendment to H.R. 11001, on the other hand, places a period at the end of the first clause in section 5(c) and deletes the entire "except" clause. This amendment, therefore, provides that no funds beyond those authorized in the bill may be made available to the Association without authorization by Congress.

Since the House amendment is broader and more conclusive than the one adopted by the Senate, I am certain that it is highly satisfactory to those of my colleagues who voted for the amendment to S. 3047. It is my understanding that H.R. 11001, as amended, is acceptable to the administration and to the original supporters of the International Development Association idea.

Mr. President, I ask that the Senate adopt H.R. 11001.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. CLARK. I should like to commend the Senator from Arkansas and all of his colleagues on the fine job they have done in getting the IDA approved by the Congress and, I hope, by the administration; but I would not want the RECORD to close, and I am sure my friend from Arkansas would not want it to, either, without paying tribute to the magnificent efforts of the distinguished Senator from Oklahoma [Mr. MONRONEY], who first took up this matter when he was a member of the Banking and Currency Committee, who convinced Eugene Black, of the International Bank, that this was a sound measure, who convinced Douglas Dillon, who persuaded John Foster Dulles.

So finally, at the end of a long chain of events, reaching back to his original efforts, we find the measure finally becoming law.

I think the Senator from Oklahoma [Mr. MONRONEY] should be commended by all of his colleagues for his fine work. In saying that, I do not intend to derogate one bit from the fine work done by the chairman of the Foreign Relations Committee.

I wonder if my friend would not feel some regret about the amendment insisted upon by the House.

Mr. FULBRIGHT. I do, but under the exigencies of the situation, I strongly recommend that the bill be passed. The matter which is dealt with in that amendment may be dealt with in a separate bill. As a matter of fact, I think it is already underway. It cannot be passed at this session, but I talked to the Secretary of the Treasury, who also regrets it, and I am sure this is satisfactory with the administration. In

view of the problem we had on the floor here, I think it is much the wiser course to pass the bill and then rely upon a separate bill to remedy what needs to be taken care of.

Mr. CLARK. I am quite willing to take the judgment of the Senator from Arkansas, but I wonder if this will mean 1 year's delay in getting the provisions underway.

Mr. FULBRIGHT. No. As a matter of fact, the Secretary feels that if we do not pass this bill, it will delay action. It provides for everything which was proposed except with reference to use of local currencies. The Secretary believes, and I also do, that very little could be done with it until next spring. This bill permits the organization to get underway, get organized, and so forth. I do not believe there will be any substantial delay in the procedure of getting the matter underway.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. DIRKSEN. This bill has our concurrence, certainly, and I am sure it has the concurrence of the Treasury and the administration. The modifications made by the House virtually make moot the sharp differences that were uttered by the Senator from Delaware [Mr. WILLIAMS], the Senator from Vermont [Mr. AIKEN], and other Senators. This bill has been cleared.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be offered, the question is on the third reading and passage of the bill.

The bill (H.R. 11001) was ordered to a third reading, read the third time, and passed.

ADJUSTMENTS IN ANNUITIES UNDER FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM

Mr. FULBRIGHT. Mr. President, I ask the Chair to lay before the Senate the amendment of the House of Representatives to Senate bill 1502.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 1502) to provide for adjustments in the annuities under the Foreign Service retirement and disability system, which was, to strike out all after the enacting clause and insert:

That (a) the annuity of each person heretofore or hereafter retired who, on or before July 30, 1962, is receiving or entitled to receive an annuity from the Foreign Service Retirement and Disability Fund shall be increased by 10 per centum.

(b) The annuity of each widow survivor annuitant who, on or before June 30, 1962, is receiving a survivor annuity from the Foreign Service Retirement and Disability Fund is hereby increased by 10 per centum, or so much in excess thereof as will enable any such widow to receive a minimum annuity of \$2,400 per annum.

(c) No increase provided by this section shall be computed on any additional annuity purchased with voluntary contributions pursuant to the provisions of section 881 of the Foreign Service Act of 1946, as amended.

(d) The increases provided by this section shall take effect on the first day of the first

month which begins more than thirty days after the date of enactment of this Act, or on the commencing date of the annuity, whichever is later.

SEC. 2. (a) Section 5 of Public Law 503, Eighty-fourth Congress, is amended to read as follows:

"SEC. 5. In any case where a participant under the Foreign Service Retirement and Disability System died before August 29, 1954, leaving a widow who is not entitled to receive an annuity under the System and who is not receiving benefits as a widow under the Federal Employees' Compensation Act, the Secretary of State is authorized and directed to grant such widow an annuity of \$2,400 per annum."

(b) The amendment made by this section shall take effect on the first day of the first month which begins more than thirty days after the date of enactment of this Act.

Mr. FULBRIGHT. Mr. President, this bill passed the Senate last September,

and has just now been passed by the House, with an amendment. The Committee on Foreign Relations considered the amendment and approved it.

I move that the Senate concur in the amendment of the House to Senate bill 1502.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Arkansas.

Mr. LONG of Louisiana. Mr. President, will the Senator explain the nature of the House amendment?

Mr. FULBRIGHT. I have in my hand a sheet which shows the comparison of the Senate bill with the House amendment. It is very complicated, but the net effect of the amendment is to reach the same increase provided by the Senate bill, which is 10 percent. There is no substantial difference in the result,

but the House approaches it in a different way.

The sheet which I have in my hand shows the comparison of the Senate bill with the House amendment. I shall put it in the RECORD for the information of the Senate.

I am assured by the experts that the House amendment does not in any way substantially change the provisions of the Senate bill, which, in effect, is to increase annuities of retired foreign service employees by 10 percent.

Mr. President, I ask unanimous consent that the comparison which was prepared by the Department of State be printed at this point in the RECORD.

There being no objection, the tabulation was ordered to be printed in the RECORD, as follows:

Comparison of S. 1502 with the House amendment, June 2, 1960

Prepared by the Department of State

Senate bill	House amendment	Executive branch comments and staff notes
<p>86th Cong. 1st sess.</p> <p>S. 1502</p> <p>IN THE HOUSE OF REPRESENTATIVES</p> <p>SEPTEMBER 11, 1959—Referred to the Committee on Foreign Affairs</p> <p>AN ACT</p> <p>To provide for adjustments in the annuities under the Foreign Service retirement and disability system.</p> <p><i>Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,</i></p> <p>That (a) The annuity of each retired officer who, on August 1, 1959, is receiving or entitled to receive an annuity from the Foreign Service Retirement and Disability Fund, based on service which terminated on or before July 31, 1959, shall be increased by 10 per centum.</p> <p>(b) The annuity otherwise payable from the Foreign Service Retirement and Disability Fund to each survivor annuitant who, on August 1, 1959, is receiving or entitled to receive an annuity based on service which terminated on or before July 31, 1959, shall be increased by 10 per centum.</p> <p>(c) The increases provided by subsections (a) and (b) of this section shall take effect on the first day of the first month which begins more than thirty days after the date of enactment of this Act.</p>	<p>86th Cong. 2d sess.</p> <p>S. 1502 [Rept. No. 1626]</p> <p>IN THE HOUSE OF REPRESENTATIVES</p> <p>SEPTEMBER 11, 1959.—Referred to the Committee on Foreign Affairs</p> <p>MAY 18, 1960.—Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed.</p> <p>[Strike out all after the enacting clause and insert the part printed in <i>italics</i>]</p> <p>AN ACT</p> <p>To provide for adjustments in the annuities under the Foreign Service retirement and disability system.</p> <p><i>Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,</i></p> <p>That (a) the annuity of each person heretofore or hereafter retired who, on or before June 30, 1962, is receiving or entitled to receive an annuity from the Foreign Service Retirement and Disability Fund shall be increased by 10 per centum.</p> <p>(b) The annuity of each widow survivor annuitant who, on or before June 30, 1962, is receiving a survivor annuity from the Foreign Service Retirement and Disability Fund is hereby increased by 10 per centum, or so much in excess thereof as will enable any such widow to receive a minimum annuity of \$2,400 per annum.</p> <p>(d) The increases provided by this section shall take effect on the first day of the first month which begins more than thirty days after the date of enactment of this Act, or on the commencing date of the annuity, whichever is later.</p>	<p>INCREASES IN OFFICER ANNUITIES</p> <p>The difference: The Senate version increases the annuities of retired officers by 10 percent based on service which terminated on or before July 31, 1959. The House version increased by 10-percent annuities now being received or which will begin on or before June 30, 1962.</p> <p>Executive branch position: The executive branch favors the House version for the reason that it is a little more favorable in that it will benefit those officers who must or will retire before they have had the opportunity for the 1958 pay raise to be fully reflected in the high five average salary rate used for computation of annuities.</p> <p>INCREASE IN SURVIVOR ANNUITIES</p> <p>The difference: The Senate version also increases survivor annuities by 10 percent based on service which terminated on or before July 31, 1959. The House amendment provides that widow survivor annuitants who on or before June 30, 1962, are receiving a survivor annuity, receive a 10 percent increase, or so much in excess as will enable her to receive a minimum of \$2,400.</p> <p>Department of State position: The House amendment will guarantee that no widow will receive less than \$2,400. This is compatible with sec. 6 of the Senate bill and sec. 2 of the House amendment, which provide for a \$2,400 grant to any widow, regardless of need or remarriage, who is not receiving any annuity under the Foreign Service retirement and disability system nor any benefits under the Employees' Compensation Act. As a matter of equity, the Department favors the House version if sec. 2 of the House amendment and sec. 6 of the Senate bill are enacted. This amendment has not been cleared with the Bureau of the Budget.</p> <p>EFFECTIVE DATE</p> <p>There is no essential difference in the effective dates provided by the two versions. The Senate version sets an overall effective date for immediate increases. The House amendment does likewise. Both versions provide an effective date for increases to future annuities as "commencing date of annuity."</p>

Public Law 86-565
86th Congress, H. R. 11001
June 30, 1960

AN ACT

To provide for the participation of the United States in the International Development Association.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "International Development Association Act".

International Development Association Act.

ACCEPTANCE OF MEMBERSHIP

SEC. 2. The President is hereby authorized to accept membership for the United States in the International Development Association (hereinafter referred to as the "Association"), provided for by the Articles of Agreement (hereinafter referred to as the "Articles") of the Association deposited in the archives of the International Bank for Reconstruction and Development.

GOVERNOR, EXECUTIVE DIRECTOR, AND ALTERNATES

SEC. 3. The Governor and Executive Director of the International Bank for Reconstruction and Development, and the alternate for each of them, appointed under section 3 of the Bretton Woods Agreements Act, as amended (22 U.S.C. 286a), shall serve as Governor, Executive Director and alternates, respectively, of the Association.

59 Stat. 512.

74 STAT. 293.

74 STAT. 294.

NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

SEC. 4. The provisions of section 4 of the Bretton Woods Agreements Act, as amended (22 U.S.C. 286b), shall apply with respect to the Association to the same extent as with respect to the International Bank for Reconstruction and Development and the International Monetary Fund. Reports with respect to the Association under paragraphs (5) and (6) of subsection (b) of section 4 of said Act, as amended, shall be included in the first report made thereunder after the establishment of the Association and in each succeeding report.

CERTAIN ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

SEC. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States, (a) subscribe to additional funds under article III, section 1, of the articles; (b) accept any amendment under article IX of the articles; or (c) make a loan or provide other financing to the Association.

DEPOSITORIES

SEC. 6. Any Federal Reserve bank which is requested to do so by the Association shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

PAYMENT OF SUBSCRIPTIONS

SEC. 7. (a) There is hereby authorized to be appropriated, without fiscal year limitation, for the subscription of the United States to the Association, \$320,290,000.

(b) For the purpose of keeping to a minimum the cost to the United States of participation in the Association, the Secretary of the Treasury, after paying the requisite part of the subscription of the United States in the Association required to be made under the articles, is authorized and directed to issue special notes of the United States from time to time, at par, and to deliver such notes to the Association in exchange for dollars to the extent permitted by the articles. The special notes provided for in this subsection shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the purposes for which special notes are authorized and directed to be issued under this subsection, but such notes shall bear no interest, shall be nonnegotiable, and shall be payable on demand of the Association. The face amount of special notes issued to the Association under the authority of this subsection and outstanding at any one time shall not exceed, in the aggregate, the amount of the subscription of the United States actually paid to the Association under the articles.

(c) Any payment made to the United States by the Association as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

JURISDICTION AND VENUE OF ACTIONS

74 STAT. 294.

74 STAT. 295.

SEC. 8. For the purpose of any action which may be brought within the United States, its possessions, or the Commonwealth of Puerto Rico, by or against the Association in accordance with the articles, the Association shall be deemed to be an inhabitant of the Federal judicial district in which its principal office in the United States is located, and any such action at law or in equity to which the Association shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of any such action. When the Association is a defendant in any such action, it may, at any time before the trial thereof, remove such action from a State court into the district court of the United States for the proper district by following the procedure for removal of causes otherwise provided by law.

STATUS, IMMUNITIES, AND PRIVILEGES

SEC. 9. The provisions of article VII, section 5(d), and article VIII sections 2 to 9, both inclusive, of the articles shall have full force and effect in the United States, its possessions, and the Commonwealth of Puerto Rico, upon acceptance of membership by the United States in, and the establishment of, the Association.

Approved June 30, 1960.

